

609
9/63

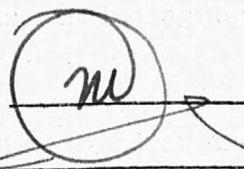
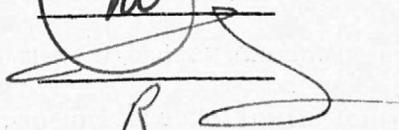
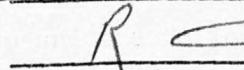
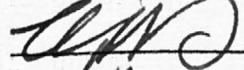
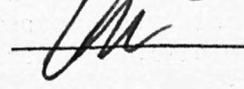
Minutes for November 8, 1963

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 Friday, November 8, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Mattras, General Assistant, Office of the Secretary

Messrs. Noyes, Koch, Brill, Holland, Williams, Dembitz, Axilrod, Bernard, Eckert, Freedman, Gehman, Osborne, Partee, Peret, Wernick, and Yager of the Division of Research and Statistics

Messrs. Furth, Sammons, Baker, Emery, Gekker, Gemmill, Goldstein, Irvine, Lee, Maroni, Stem, and Swerling of the Division of International Finance

Economic review. The Divisions of International Finance and Research and Statistics presented a review of recent foreign and domestic economic and financial developments, including developments in the money market.

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

Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration

11/8/63

-2-

Mr. Bakke, Senior Attorney, Legal Division
 Miss Hart, Senior Attorney, Legal Division
 Mr. Young, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco on November 7, 1963, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

	<u>Item No.</u>
Letter to Brownsburg State Bank, Brownsburg, Indiana, approving an investment in bank premises.	1
Letter to Wisconsin Marine Bank, Milwaukee, Wisconsin, approving an investment in bank premises.	2
Letter to Farmers State Bank, Cleveland, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	3
Letter to The Cleveland Trust Company, Cleveland, Ohio, granting an extension of time to establish a branch in Chagrin Falls.	4
Interpretation for publication in the Federal Register (also press release) regarding the loan value of securities used to meet margin calls in regard to transactions that were executed before the change in the margin requirements.	5-6

11/8/63

-3-

Item No.

7

Memorandum from the Division of International Finance with respect to the request of the State Bank of Ethiopia for assistance in connection with its reorganization.

Report on competitive factors (Occoquan-Nokesville, Virginia).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Bank of Occoquan, Occoquan, Virginia, with The Bank of Nokesville, Inc., Nokesville, Virginia, under the charter of the latter bank and the title of The Bank of Prince William. The main office of the resulting bank would be located in Woodbridge, Virginia.

After discussion, the report was approved unanimously for transmission to the Corporation with the understanding that the conclusion would be revised to read as follows:

The proposed merger of The Bank of Occoquan with The Bank of Nokesville, Inc., would eliminate little or no competition between participants. While consummation of this proposal would enlarge the area served by Virginia Commonwealth Corporation and result in two holding companies controlling 52 per cent of the deposits of banks operating in Prince William County, it does not appear that adverse competitive effects on other banks in the area would be significant.

Relationship of proposed merger to Bank Holding Company Act.

In connection with the proposed merger of The Bank of Occoquan (a subsidiary of Virginia Commonwealth Corporation) with The Bank of Nokesville (an independent bank) there had been distributed a memorandum from the Legal Division dated November 7, 1963, with respect to

11/8/63

-4-

the question whether the transaction required a collateral application for Board approval under section 3(a)(2) of the Bank Holding Company Act since, under Virginia law, the holding company would technically acquire stock in a new bank, The Bank of Prince William.

After exploring the arguments pro and con, the Legal Division concluded that it would be preferable to reject the position that a technical violation of section 3(a)(2) would arise out of consummation of the proposed merger on one of two premises: (a) that the transaction would not involve a stock acquisition of the kind that the Congress intended section 3(a)(2) to cover; or (b) even though there might technically be an acquisition of stock in a new bank, within the purview of section 3(a)(2), which would result in the expansion of Virginia Commonwealth Corporation's holding company system (both in terms of assets and of geographical coverage), the transaction was subject to Federal supervisory control under the Bank Merger Act, which requires consideration of factors substantially similar to those involved in passing upon a proposal under the Bank Holding Company Act; and that in the interest of uniformity and comity between the Federal bank supervisory agencies, mergers between holding company subsidiary banks and independent banks should not be deemed subject to the Bank Holding Company Act. The Legal Division favored taking the latter approach because it would not only avoid an overlap of Federal supervisory jurisdiction in an area where similar criteria were applied by the agencies concerned but also would obviate

11/8/63

-5-

the necessity for drawing technical distinctions between merger proposals based on the peculiarities of the law of the host States.

There were attached to the memorandum alternative drafts of a letter to Counsel for Virginia Commonwealth Corporation, one of which would express the opinion that an application must be filed with the Board under the Bank Holding Company Act before the proposed transaction could lawfully be consummated and the other of which would indicate that no such application was required.

Following comments on the memorandum by Mr. Bakke, Governor Mills expressed agreement with the conclusions reached by the Legal Division on this matter. He felt that the Board should avoid strained interpretations of the law that might be regarded as a grasping for authority on the part of a regulatory agency. However, he raised the question whether the Board should not ask the Congress for an amendment to the Bank Holding Company Act to cover mergers between holding company subsidiary banks and independent banks, thus closing the loophole provided by the existing exemption.

It was noted that the Board had made such a recommendation in its 1958 report on the Bank Holding Company Act, but that it withdrew the recommendation in its 1960 Annual Report following the enactment of the Bank Merger Act.

Governors Mills and Robertson felt that they recalled there having been some discussion by the Board of the possibility of reinstating the withdrawn recommendation, and they suggested that in any event the question should be presented again by the Legal Division for Board decision.

11/8/63

-6-

Governor Shepardson indicated that he would favor accepting the Legal Division's conclusion under existing law; if anything a suggestion should be made for a change in the law.

Governors Robertson and Mitchell, however, expressed reservations about accepting the position suggested by the Legal Division. The points of law involved were discussed at some length, and attention was drawn to the ramifications of adopting this position in terms of the significant expansion of holding company systems that might be possible outside the Board's jurisdiction.

At the conclusion of the discussion, it was understood that the Legal Division would study the matter further in light of the points that had been raised and present an additional memorandum for the Board's consideration. It was also understood that the Legal Division would advise the staff of the Federal Deposit Insurance Corporation informally that the matter was continuing under study.

Application of Union Trust Company of Maryland (Items 8 and 9).

Pursuant to the decision reached at the meeting on November 5, 1963, there had been distributed a proposed order and statement reflecting the Board's denial of the application of Union Trust Company of Maryland, Baltimore, Maryland, to merge with The Farmers National Bank of Annapolis, Annapolis, Maryland.

The issuance of the order and statement was authorized with the understanding that the statement would be revised to reflect certain

11/8/63

-7-

editorial changes. Copies of the order and statement, as issued, are attached to these minutes as Items 8 and 9.

Federal Reserve film. There had been distributed a copy of a letter from Thomas Craven Film Corporation dated October 31, 1963, advising the Board that the Bank of Japan had asked Craven for a copy of the "as-produced" script of the Federal Reserve film "Money on the Move." The Bank of Japan contemplated ordering a print of the film and planned to have the script interpreted at various showings. Craven Film Corporation inquired whether the Board might be interested in having a Japanese language version made of the sound track, as it had done in the case of the Spanish version, at an estimated cost of about \$2,500.

After discussion, during which reference was made to expressions of interest on the part of other foreign central banks in having copies of the film, an understanding was reached that the Board would not desire to contract with the Thomas Craven Film Corporation for the production of additional foreign language versions of the film. It was agreed, however, that the Board would purchase a complimentary copy of the film, with English or Spanish sound track, for presentation to foreign central banks that expressed interest in having a copy. It was understood that advice to such effect would be conveyed to Thomas Craven Film Corporation.

Definition of savings deposit. Governor Robertson read the following resolution that had been adopted by the Board of Directors of the Federal Deposit Insurance Corporation:

11/8/63

-8-

WHEREAS, the Board of Directors of this Corporation has been advised that the Executive Committee of the New Jersey Bankers Association has adopted a resolution in which it is recommended that section 217.1(e) of Regulation Q of the Board of Governors of the Federal Reserve System and section 329.1(e) of the Rules and Regulations of the Federal Deposit Insurance Corporation be amended to include in the definition of "savings deposits" all deposits not now included in such definition, provided that the balance standing to the credit of any account consisting, in whole or in part, of deposits not presently included in such definition shall not exceed \$50,000, exclusive of interest credited thereto, and no depositor shall maintain or have an interest in more than one such account in any one bank; and

WHEREAS, it is the opinion of this Board of Directors that the recommendations contained in the aforesaid resolution of the Executive Committee of the New Jersey Bankers Association should be evaluated and studied by the Federal bank supervisory agencies:

NOW, THEREFORE, BE IT RESOLVED, that Director Jesse P. Wolcott be, and he is hereby, authorized to take all steps necessary to arrange for conferences between the staffs of this Corporation, the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System for the purposes of studying and evaluating the recommendation of the Executive Committee of the New Jersey Bankers Association and considering the advisability of amending section 329.1(e) of the Corporation's Rules and Regulations and section 217.1(e) of Regulation Q of the Board of Governors of the Federal Reserve System so as to accomplish the purposes of the aforesaid resolution of the Executive Committee of the New Jersey Bankers Association; and

BE IT FURTHER RESOLVED, that such evaluation and study shall take into consideration (1) the advisability of so amending the aforesaid sections of the Corporation's Rules and Regulations and of Regulation Q of the Board of Governors of the Federal Reserve System to eliminate requirements as to who may be a savings depositor including limitation, if any, as to the amount which may be maintained in such savings deposits in insured banks, (2) the advisability of requiring insured banks to incorporate in their savings deposit contracts a condition that such savings deposit contracts are made subject to future changes in applicable rules and regulations of the Federal bank supervisory agencies, and (3) the advisability of fixing different rates of interest for different lengths of time during which funds in such savings accounts actually remain on deposit with an insured bank.

11/8/63

-9-

There was discussion of the question of authorizing members of the Board's staff to participate in the interagency conferences mentioned in the resolution, but no decision was reached and it was understood that Governor Robertson would get in touch with Director Wolcott to obtain additional information.

The meeting then adjourned.

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:

Appointment

Jacquelin Bauman as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$10,105, effective the date of entrance upon duty.

Salary increases, effective November 10, 1963

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Stuart Harold Altman, Economist		\$ 8,045	\$ 8,310
Theodore G. Flechsig, Economist		11,150	11,515
Gerald F. Millea, Chief, Division Administration		11,880	12,245
Edwin J. Swindler, Economist		11,150	11,515
Carolyn C. White, Secretary		4,725	4,885
<u>Bank Operations</u>			
Helen K. Black, Statistical Clerk		4,250	4,390
<u>Examinations</u>			
Rosemary V. Jordan, Special Assistant Federal Reserve Examiner		4,390	4,530

11/8/63

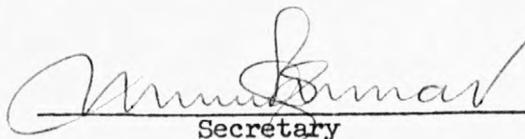
-10-

Salary increases, effective November 10, 1963 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Marie E. Kinder, Charwoman		\$3,455	\$3,560
<u>Office of the Controller</u>			
Kathleen J. O'Connor, Disbursing Clerk		5,525	5,685
<u>Printing Grade Pay Schedule</u>			

New Printing Grade Pay Schedule (attached Item No. 10) and increases in the annual salary rates of the following employees in the Division of Administrative Services under the schedule, effective November 10, 1963:

<u>Name and title</u>	<u>Annual Salary Rates</u>	
	<u>From</u>	<u>To</u>
Franklin Taylor, Supervisor	\$8,653	\$8,923
Thomas V. Kopfman, Assistant Supervisor	8,112	8,382
William B. Stryker, Jr., Photographer (Offset)	6,614	6,864
Claiborne Johnson, Operator (Offset Press)	7,322	7,571
Bruce L. Moffett, Operator (Offset Press)	7,322	7,571
J. Robert Surguy, Clerk (Composition)	7,322	7,571
Nelson S. Dyson, Photographer (Offset)	6,968	7,218
Edward Cross, Photographer (Offset)	6,968	7,218
Bishop Hart, Bindery Worker	6,448	6,698
Wesley B. Collins, Foreman-Operator	5,090	5,138
Abner Thompson, Multilith Operator	5,429	5,678
Herbert W. Bundy, Bindery Helper and Operator (Mimeograph)	5,179	5,408
James R. Jordan, Operator (Duplicating Devices)	4,909	5,138
Charles P. Brown, Operator (Duplicating Devices)	4,430	4,638
Aaron Dortch, Operator (Xerox-Mimeograph)	4,680	4,888
James R. Turner, Offset Press Operator (Multilith)	4,930	5,138
Quincy W. Barnes, Operator (Mimeograph)	4,202	4,410
Theodore Jones, Operator (Mimeograph)	3,952	4,160


Secretary

3899

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
11/8/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 8, 1963



Board of Directors,
Brownsburg State Bank,
Brownsburg, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under Section 24A of the Federal Reserve Act, an indirect investment in bank premises of not to exceed \$105,000 by Brownsburg State Bank for the purpose of erecting new banking quarters. This amount represents the indebtedness of the wholly-owned building corporation to finance the construction of bank premises.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

3900

Item No. 2
11/8/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 8, 1963



Board of Directors,
Wisconsin Marine Bank,
Milwaukee, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Wisconsin Marine Bank of not to exceed \$260,000 for the purpose of constructing an addition to present banking quarters and remodeling certain of the bank's present facilities.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

3901

Item No. 3
11/8/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 8, 1963



Board of Directors,
Farmers State Bank,
Cleveland, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors two letters, one dated October 18, 1963, and the other dated October 21, 1963, both of which are signed by President Jack McKellar, and resolution dated October 10, 1963, signifying your intention to withdraw from membership in the Federal Reserve System, and requesting waiver of the six-months' notice of such withdrawal.

The Board of Governors waives the requirement of six-months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Dallas.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

3902
Item No. 4
11/8/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 8, 1963



Board of Directors,
The Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to January 2, 1964, the time within which The Cleveland Trust Company may establish a branch at 34 North Main Street, Chagrin Falls, Ohio. It is noted postal authorities have changed the number of the building in which the branch is to be located from 38 North Main Street to 34 North Main Street.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 5
11/8/63

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. T]

PART 220 - CREDIT BY BROKERS, DEALERS, AND
MEMBERS OF NATIONAL SECURITIES EXCHANGES§ 220.120 Loan value of securities used to make required deposit.

(a) The Board of Governors of the Federal Reserve System has received a number of inquiries resulting from the upward change in the level of margin requirements that became effective November 6, 1963, as to what loan value applies to securities used to make the deposit required by paragraph (b)(1) of § 220.3 with respect to transactions in general accounts which occur before an increase in margin requirements, if such deposit is made after the higher margin requirements become effective.

(b) In the case of such deposits, the loan value (on the occasion of that deposit only) is that which was in effect when the transaction in question was executed on the floor of the exchange. Thus, where the customer's order was executed before the recent increase from 50 per cent to 70 per cent margin became effective, he would still make his deposit at the lower margin, even though

the securities used to satisfy the deposit requirement were not delivered to his broker until after the new margin requirements came into force.

(15 U.S.C. 78w)

Dated at Washington, D. C., this 13th day of November, 1963.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman

(SEAL)

Merritt Sherman,
Secretary.

Item No. 6
11/8/63

For immediate release

November 8, 1963.

The Board of Governors of the Federal Reserve System has received a number of inquiries resulting from the change in the level of margin requirements which was effective November 6, 1963, as to what loan value applies to securities used to make the deposit required by section 220.3(b)(1) of Regulation T in respect to transactions in general accounts which occur before a change in margin requirements. The Board replied that in the case of such deposits, the loan value (on the occasion of that deposit only) is that which was in effect when the transaction in question was executed on the floor of the exchange. Thus where the customer's order was executed before the increase from 50% to 70% margin became effective, he would still make his deposit at the lower margin, although the securities used to satisfy the deposit requirement were not delivered until after the new margin came into force.

November 7, 1963.

TO: Board of Governors
FROM: Robert L. Sammons
SUBJECT: Technical assistance assignment for
Mr. Earle O. Latham, First Vice President
of the Federal Reserve Bank of Boston.

As the Board will recall, the State Bank of Ethiopia requested the System to provide an adviser for a short period to assist that Bank in a reorganization.

We have explored the possibility of obtaining the services of Mr. Latham for this assignment. President Ellis has given his approval; Mr. Latham is willing to undertake the task; and the matter will be presented to the Board of Directors of the Federal Reserve Bank of Boston on Friday, November 8.

On the assumption that the Boston Directors will give their approval, it is recommended that the Board of Governors interpose no objection to the arrangements.

While final details remain to be worked out, it is contemplated that Mr. Latham will be made available to the State Bank for a period not in excess of three months, that the Federal Reserve Bank of Boston will grant him a leave of absence with pay for that period, and that any additional expenses involved, such as travel and living expenses in Ethiopia, will be borne by the State Bank of Ethiopia.

RLS

Item No. 8
11/8/63

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of
UNION TRUST COMPANY OF MARYLAND
for approval of merger with
The Farmers National Bank of Annapolis

ORDER DENYING APPLICATION FOR APPROVAL OF MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Union Trust Company of Maryland, Baltimore, Maryland, a member State bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Farmers National Bank of Annapolis, Annapolis, Maryland, under the charter and title of the former. As an incident to the merger, the three offices of The Farmers National Bank of Annapolis would be operated as branches of Union Trust Company of Maryland. 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

-2-

Comptroller of the Currency, the Federal Deposit Insurance Corporation,
and the Department of Justice on the competitive factors involved in
the proposed merger,

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

Dated at Washington, D. C., this 8th day of November, 1963.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY UNION TRUST COMPANY OF MARYLAND
FOR APPROVAL OF MERGER WITH
THE FARMERS NATIONAL BANK OF ANNAPOLIS

STATEMENT

Union Trust Company of Maryland, Baltimore, Maryland ("Union Trust"), with deposits of \$323,764,000,* 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 with The Farmers National Bank of Annapolis, Annapolis, Maryland ("Farmers National"), with deposits of \$20,167,000,* under the charter and title of Union Trust Company of Maryland. The proposal contemplates that the three existing offices of Farmers National would become branches of the resulting bank, increasing the number of its offices from 39 to 42. Union Trust has approval for 2 branches, not yet established, and has pending applications for 2 additional branches.

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 June 29, 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. - Both banks have satisfactory financial histories. The asset condition, capital structure, and earnings record of each of the banks are satisfactory, as are their earnings prospects. Both banks are capably managed.

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

Convenience and needs of the communities. - The head office of Union Trust is in Baltimore, Maryland (population approximately 940,000; trade area population approximately 1.6 million). Baltimore is a commercial and industrial center, a large seaport, and is recognized as one of the largest insurance and financial centers in the East. At the present time, Union Trust operates a main office and 18 branches in Baltimore, 13 branches in Baltimore County, 2 branches each in Talbot and Wicomico Counties, and 1 branch each in Anne Arundel, Caroline, and Dorchester Counties, a total of 39 offices.**

The proposed merger, if consummated, would have little or no effect on banking convenience and needs in Baltimore.

** The City of Baltimore and the Counties of Baltimore and Anne Arundel will be referred to herein as the Baltimore Metropolitan Area ("BMA").

The head office of Farmers National is in Annapolis (population approximately 25,000; trade area population approximately 80,000). Annapolis is the capital city of Maryland, the home of the United States Naval Academy, and seat of Anne Arundel County. Farmers National operates a branch at Severna Park (population estimated at 5,700), seven miles north of Annapolis, and 1 branch in Annapolis. Annapolis is located 27 miles south of Baltimore and 33 miles east of Washington, D. C. The most important sources of employment in the trade area are the Federal, State, and local governments. Annapolis is not an industrial area, and the relatively few firms that have located there are predominantly research or experimental.

The banking needs of Annapolis and Anne Arundel County are now being served by over 20 commercial banking offices. These include, among others, 2 offices of The Annapolis Banking and Trust Company; 3 offices of Farmers National; 3 offices of Equitable Trust Company of Baltimore; 1 office of The First National Bank of Maryland; 8 offices of Maryland National Bank, the largest bank in Maryland; 1 office of Union Trust; and 1 office of American National Bank of Maryland, Silver Spring, Maryland, a subsidiary of Financial General Corporation, a bank holding company. In Annapolis, itself, are the branch of American National Bank of Maryland just mentioned, 2 branches of Maryland National Bank, the 2 offices of The Annapolis Banking and Trust Company, and 2 of the offices of Farmers National.

There is no indication that there exists any significant demand for banking services in the Annapolis area that are not presently being supplied.

Competition. - The proposed merger, if consummated, would have no significant effect on the competitive situation presently existing in the immediate Baltimore area. The 4 largest banks in this area are also the 4 largest in the State of Maryland. They hold 87 per cent of the total deposits in commercial banks in BMA and 55 per cent of the commercial bank deposits in the State of Maryland. Union Trust, the third largest bank in Baltimore, as well as in the State, holds 18 per cent of the deposits of commercial banks in BMA and 11 per cent of the commercial bank deposits in the State. Consummation of the proposed transaction would increase Union Trust's percentage of the commercial bank deposits in BMA by 1.2 per cent and would increase its percentage of deposits of all commercial banks in the State by .7 per cent.

Should the merger be effectuated, there would be eliminated the largest independent bank in Anne Arundel County, leaving only one independent bank in Annapolis and 2 in the entire county. It is recognized that approval of the proposed merger would enable Union Trust to compete directly in Annapolis with Maryland National Bank, the largest bank in the State, as noted previously. At the same time, however, the one remaining independent bank in Annapolis, The Annapolis Banking and Trust Company, would be competing with offices of 2 much larger banks and an office of a subsidiary of Financial General Corporation.

There exists a degree of competition, although not substantial, between Union Trust and Farmers National, arising principally from the fact that many Annapolis people commute to Baltimore where they are employed, and many Baltimore people commute to Annapolis where they are employed. Thus, the services of the 2 banks are offered to many of the same people. This competition would be eliminated by a merger of the 2 institutions.

Summary and conclusion. - If consummated, the proposed merger of Union Trust and Farmers National, both sound and well-managed banks, would eliminate present and potential competition between them. In addition, the already high degree of concentration of banking resources in the State, particularly in the local area, would be increased, and there would remain only 1 independent bank in Annapolis and 2 independent banks in Anne Arundel County. There exists no significant demand for banking services that are not presently available in the Annapolis area.

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

November 8, 1963.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

PRINTING GRADE PAY SCHEDULE*

Basic Annual Pay Rates by Grade

November 10, 1963

Note: This schedule applies to those positions in the Duplicating, Mail and Supply Section that perform the following kinds of lithographic work: Offset Printing, Offset Photography, Offset Composition, Photostat and Xerox Operation, Mimeograph Operation, Bindery Operation, and to the supervisor and assistant supervisor of those positions.

<u>Printing Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>
1			
2	\$3,182	\$3,349	\$3,515
3	3,411	3,598	3,786
	3,682	3,869	4,056
4			
5	3,910	4,118	4,326
6	4,160	4,389	4,618
	4,410	4,638	4,867
7			
8	4,638	4,888	5,138
9	4,909	5,158	5,408
	5,138	5,408	5,678
10			
11	5,387	5,678	5,970
12	5,637	5,928	6,219
	5,866	6,178	6,490
13			
14	6,136	6,448	6,781
15	6,365	6,698	7,030
	6,614	6,968	7,322
16			
17	6,864	7,218	7,571
18	7,114	7,488	7,862
	7,342	7,738	8,133
19			
20	7,592	7,987	8,382
21	7,842	8,258	8,674
	8,091	8,507	8,923

(This schedule supersedes the pay scale effective November 11, 1962)

* Incumbents of positions subject to this pay schedule are eligible for progress increases within particular salary grades on the following basis:

For advancement to Step 2, after 26 weeks (6 months) satisfactory service in Step 1.

For advancement to Step 3, after 78 weeks (18 months) satisfactory service in Step 2.