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Minutes for December 19, 1963.

To: Members of the Board

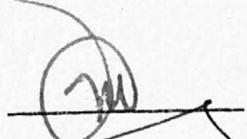
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

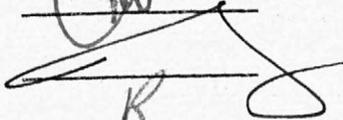
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



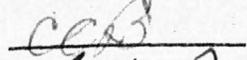
Gov. Mills



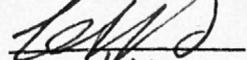
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Thursday, December 19, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman 1/  
 Mr. Robertson  
 Mr. Shepardson  
 Mr. Mitchell  
 Mr. Daane

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Cardon, Legislative Counsel  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Solomon, Director, Division of Examinations  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Hooff, Assistant General Counsel  
 Mr. Conkling, Assistant Director, Division of Bank Operations  
 Mr. Kiley, Assistant Director, Division of Bank Operations  
 Mr. Thompson, Assistant Director, Division of Examinations  
 Mr. Mattras, General Assistant, Office of the Secretary  
 Mr. Doyle, Attorney, Legal Division  
 Mr. Veenstra, Chief, Call Report Section, Division of Bank Operations  
 Mr. Franzoni, Technical Assistant, Division of Bank Operations  
 Mr. Smith, Review Examiner, Division of Examinations  
 Mr. Noory, Assistant Review Examiner, Division of Examinations

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

1/ Attended morning session only.

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	<u>Item No.</u>
Letter to the Bureau of the Budget regarding S. 2228, an enrolled bill "to change the requirements for the annual meeting date for national banks."	1
Telegram to the Federal Reserve Agent at Kansas City authorizing the issuance of a limited permit to First Oklahoma Bancorporation, Inc., Oklahoma City, Oklahoma, to vote the stock it owns or controls of The Idabel National Bank, Idabel, Oklahoma.	2

Applications of Atlantic National Bank and Atlantic Trust

Company (Items 3 and 4). Pursuant to the decision reached at the meeting on December 4, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the applications of The Atlantic National Bank of Jacksonville and Atlantic Trust Company, both of Jacksonville, Florida, for approval of the acquisition of voting shares of Daytona Atlantic Bank, Daytona Beach, Florida, a proposed new bank.

The issuance of the order and statement was authorized, with the understanding that the statement would be revised slightly as suggested at the meeting. Copies of the order and statement, as issued, are attached to these minutes as Items 3 and 4.

Messrs. Smith and Noory then withdrew from the meeting.

Call report publication in California (Item No. 5). There had been distributed a memorandum from the Division of Bank Operations dated December 18, 1963, regarding the publication of call reports of condition by State member banks in California. Attached was a memorandum

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from the Legal Division dated December 12, 1963. It was noted that the California State condition report forms were identical in format with the Board's forms. However, the California Superintendent of Banks had issued a ruling to State banks that "transactions in Federal funds do not create obligations subject to the lending limitations of the Financial Code nor a borrowing subject to Section 1202 of the Financial Code but are to be considered purchases and sales of such funds." As a result of this ruling, which was essentially the same as that issued earlier in 1963 by the Comptroller of the Currency, the California situation involved a publication format acceptable to the Board but not, in content, in conformity with the Board's instructions for the preparation of the call reports of condition.

Two alternatives were suggested. The first alternative would be to concur in the acceptance of publication on the State form, but only at the forthcoming call. The other alternative would require dual publication from those State member banks that were engaged in Federal funds transactions on the call date and did not report them as loans-borrowings on the State form.

The Division of Bank Operations recommended the first alternative, pointing out that it covered only one call and that there was a possibility that the matter could be settled (1) if negotiations for a uniform call report form were successful by mid-1964, or (2) if the State Banking Department should give specific instructions to its banks that Federal funds transactions were to be reported as loans-borrowings for purposes

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of the report of condition. The disadvantages of the first alternative would be that it might set a precedent for other States to request similar exceptions and that it might be embarrassing to require dual publication at a future call after accepting joint publication in a similar situation in this one case. The second alternative would have the advantage of maintaining the status quo with respect to standards for acceptance of joint publication and the Board's interpretation of Federal funds as loans and borrowings. It might, however, require dual publication for this one call, with its attendant costs in a State with which the Board had had long-standing joint publication arrangements.

The memorandum from the Legal Division expressed the view that from a legal standpoint, the Board could adopt either alternative. It was believed that the Board was not precluded from disregarding minor and inconsequential differences between the report of condition as submitted and the report as published; the degree of importance of a deviation was a matter of judgment.

In discussion, there was general agreement with the view that the Board should not do anything that might tend to compromise its basic position with regard to interpretation of the law as to the nature of Federal funds transactions. The suggestion then was made that if the California State Banking Department did not issue specific instructions to State banks regarding the handling of Federal funds transactions in published condition reports, the Federal Reserve Bank of San Francisco could remind any State member banks involved in such transactions on the

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Joint call date that Federal funds transactions should be included in loans and borrowings. If the State Banking Department should issue specific instructions to State banks to exclude Federal funds transactions from loans and borrowings, the Reserve Bank and the State Banking Department might agree to accept joint publication on condition that in publishing its report, a State member bank having Federal funds transactions should interline these transactions as separate items on the State form. If such a procedure was not mutually agreed upon by the Reserve Bank and the State Banking Department, however, separate publication would be required, although the Reserve Bank might accept joint publication on the State form, without amendment, by those State member banks not engaged in Federal funds transactions on the joint call date.

A copy of the letter sent to the Federal Reserve Bank of San Francisco reflecting this decision of the Board is attached to these minutes as Item No. 5.

Messrs. O'Connell, Conkling, Veenstra, and Franzoni then withdrew from the meeting.

Year-end closing entries. There had been distributed a memorandum from the Division of Bank Operations dated December 17, 1963, in connection with proposed year-end entries to profit and loss accounts at the Federal Reserve Banks. The reports received from the Banks indicated that no special charge-offs or other year-end adjustments requiring Board approval were contemplated. Net earnings to the extent

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of about \$51.6 million were to be transferred to surplus to maintain the surplus of each Reserve Bank at the level of subscribed capital stock. Net additions to current net earnings reflected mainly \$.3 million of net profits on sales of U. S. Government securities, a \$.3 million profit on foreign exchange transactions, and \$.1 million dividends on the System major medical insurance policy, partly offset by a \$112,000 adjustment in reserves for 1962 real estate taxes at Chicago.

There being no view to the contrary, it was understood that the respective Reserve Banks would be advised by telegram that the Board had noted without objection the proposed 1963 year-end entries to profit and loss accounts.

Reserve Bank expenditures (Item No. 6). There had been distributed a draft of letter to the Presidents of all Federal Reserve Banks transmitting a letter received by the Board from Chairman Patman of the House Banking and Currency Committee, dated December 14, 1963, requesting additional information on two categories of Reserve Bank expenditures, described generally as those resulting from educational programs and programs designed to impart information. The draft letter requested the Banks to review the letter from Chairman Patman and to advise the Board of the approximate date on which the desired information might be expected to reach the Board.

During discussion, it was agreed that an acknowledging letter to Chairman Patman would not seem necessary until the Banks had advised the Board of the time needed to prepare the requested information.

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The letter to the Reserve Banks was then approved unanimously; a copy is attached to these minutes as Item No. 6.

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

Call report. Reference was made to the question of the fixing of the date for the December 1963 call upon insured banks for reports of condition, with Governor Robertson relating developments that had occurred thus far. According to his understanding, Director Wolcott and staff of the Federal Deposit Insurance Corporation had at first suggested December 24 but Chairman Martin had favored an end-of-year call date and the Corporation representatives subsequently agreed with this view. However, Comptroller of the Currency Saxon was adamant that the call should be on a surprise date. Mr. Saxon informed Chairman Martin that the Board of Directors of the Federal Deposit Insurance Corporation was to have a meeting yesterday afternoon and Chairman Martin requested, before leaving on vacation, that Governor Robertson be contacted in order to reach an understanding. Subsequently, Mr. Greensides of the Federal Deposit Insurance Corporation called Governor Robertson, stating that he had been directed to call by Messrs. Saxon and Wolcott, that Mr. Saxon's view that the call should not be made as of the end-of-year date had prevailed, and that the final decision of Mr. Saxon had been to fix the close of business December 20 as the date of the call.

Governor Robertson went on to point out that the law provided for the date of a call to be fixed by vote of a majority of the heads of

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the three Federal bank supervisory agencies. At present Mr. Saxon was serving both as Comptroller of the Currency and as Acting Chairman of the Federal Deposit Insurance Corporation. Therefore, according to the terms of the statute it would appear that there was no alternative to the fixing of the call on such date as might be voted for by Mr. Saxon in his dual capacities.

Governor Robertson understood that there would be sent to the Board's offices today from the Federal Deposit Insurance Corporation, for the signature of the Acting Chairman of the Board, a document fixing the date of the call as of the close of business December 20. This document presumably would be signed by the Comptroller of the Currency and by whoever was to sign on behalf of the Federal Deposit Insurance Corporation. The remaining question, Governor Robertson said, was whether the record should in some way indicate that the Acting Chairman of the Board did not concur in the fixing of December 20 as the call date.

Acting Chairman Mills suggested that at the time the Board notified the Federal Reserve Banks of the call date, it might wish to issue some statement explaining that the particular call date was not of the Board's choosing and that an end-of-year call date would have been decidedly preferable from the statistical standpoint. In further comments, he indicated that his present inclination would be to afford some public knowledge of the fact that the Board did not favor deviating from the end-of-year call date.

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It was noted that such a procedure would be similar to the one followed in mid-year 1963 when the Comptroller of the Currency issued a letter to all national banks indicating that he did not agree with the call date that had been selected by the heads of the other two Federal bank supervisory agencies.

There followed discussion during which other members of the Board expressed agreement with the view of Acting Chairman Mills that the issuance of a statement with regard to the call date might be desirable. Such a statement could point out that an end-of-year date would have been preferable not only from the standpoint of the consistent collection of statistics but from the standpoint of the Federal Reserve System's current program of encouraging member banks to desist from the practice of window dressing. There was also some discussion of the possibility of publishing in the Federal Register an indication that the Acting Chairman of the Board did not concur in the December 20 call date.

It was brought out during the discussion that in addition to the document fixing the date of the call there would be a document signed by the heads of the three Federal bank supervisory agencies actually issuing the call for condition reports by all insured banks.

As to the manner of handling the document fixing the call date, it was suggested that the document might be signed by the Acting Chairman of the Board, but with the addition of a statement that he did not concur in the fixing of the particular date. On the other hand, it appeared that in accordance with the statute the second document--officially

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making the call--should be signed by the Acting Chairman of the Board despite disagreement as to the date that had been selected.

Acting Chairman Mills indicated, however, that he had some doubt about inscribing additional language on an official document. He was inclined to feel that anything that could be accomplished thereby could better be accomplished through the issuance of a statement at the time the call was announced, with an indication of the reasons why an end-of-year call date would have been preferred.

The session concluded with an understanding that the course suggested by Acting Chairman Mills would be followed by him, and it was agreed that the Board's staff would begin the drafting of a statement that might be issued.

The meeting then recessed and reconvened at 4:35 p.m. with Messrs. Robertson, Mitchell, and Daane present. They were joined shortly by Mr. Shepardson. Messrs. Sherman, Kenyon, and Hackley of the staff also were present.

Subsequent to the previous session there had been received from the Federal Deposit Insurance Corporation a document fixing the close of business December 20, 1963, as the date for reports of condition from all insured banks. This document, which had been signed by Mr. Wolcott as a director of the Federal Deposit Insurance Corporation and contained a place for the signature of Mr. Saxon as Comptroller of the Currency and Acting Chairman of the Federal Deposit Insurance Corporation, had been signed by Mr. Mills as Acting Chairman of the

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Board. The reasons why Acting Chairman Mills had decided to enter his signature on the document without inscribing any language in protest were set forth by him in a memorandum to Mr. Sherman of today's date.

Mr. Sherman noted that Governor Mills had now left on vacation. However, he (Mr. Sherman) had talked with Governor Mills by telephone regarding a possible point of confusion, namely, that the document received from the Federal Deposit Insurance Corporation earlier today was simply the document fixing the date of the call, and that another document officially proclaiming the call would be received later. Governor Mills had then indicated that upon further thought he believed the document he had signed should be destroyed, or his signature as Acting Chairman of the Board otherwise eliminated from it, and that the decision on handling the document should devolve upon the member of the Board currently serving as Acting Chairman of the Board. Governor Mills had added the comment that if there should be a decision to dissent from the selection of the date and to issue a public statement, he hoped the statement would be one that was in good tone.

In order that the record might be entirely clear, Governor Mitchell then moved that Governor Robertson be named Acting Chairman of the Board. This motion was seconded by Governor Daane and carried without dissent.

There followed further discussion of the circumstances with respect to the fixing of the call date. In the light of that discussion, Acting Chairman Robertson stated that it had been decided not to send

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back to the Federal Deposit Insurance Corporation the document signed by Governor Mills as Acting Chairman of the Board; or, if the Corporation insisted on its return, that the signature of Governor Mills be eradicated. He requested the Board's Secretary to advise the Corporation that if the Corporation sent over another document fixing the date of the call, with a place for the signature of the Acting Chairman of the Board, he (Acting Chairman Robertson) would sign the document, but in such a way as to indicate that he did not agree with the selection of the date. Acting Chairman Robertson also noted that there appeared to be no necessity for the signature of Director Wolcott to appear on the document since the statute called for the selection of the call date to be made by the heads or acting heads of the three Federal bank supervisory agencies and Mr. Saxon was currently serving as Acting Chairman of the Federal Deposit Insurance Corporation as well as Comptroller of the Currency.

Acting Chairman Robertson also stated that he would be prepared to sign affirmatively the document, when it arrived, actually issuing the call upon insured banks for reports of condition, as opposed to the document concerning the selection of the date.

The meeting then adjourned.

Secretary's Notes: Pursuant to the action taken by the Board on November 27, 1963, approving the inclusion in the condition reports for the December call of a questionnaire prepared by the Treasury Department on its study of bad debt reserves of commercial banks for tax purposes, a letter was sent today to each Federal Reserve Bank (attached Item No. 7) enclosing copies of the form for the use of State member banks.

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Governor Shepardson today approved on behalf of the Board the following items:

Letter to Mr. George L. Stevens confirming arrangements for him to conduct a 24-hour course in Reading Improvement beginning January 14, 1964, for members of the Board's staff as an activity of the Board's Employee Training and Development Program, with the understanding that he would provide all the equipment, materials, and references required for the program, and that the Board would pay him \$40 for each participant at the completion of the course.

Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 8) approving the appointment of James P. Greer, William J. McCuen, Jr., and Joseph J. Ponczka as examiners.

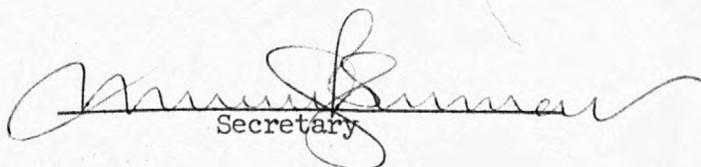
Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Transfer

Irving Gedanken, from the position of Statistician in the Division of Research and Statistics to the position of Statistician in the Division of Data Processing, with an increase in salary from \$12,975 to \$13,650 per annum (based on salary schedule effective January 5, 1964), effective January 5, 1964.

Acceptance of resignation

Myra E. Beck, Statistical Clerk, Division of Bank Operations, effective at the close of business December 13, 1963.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 1  
12/19/63

A. L. MILLS, JR.  
MEMBER OF THE BOARD

December 19, 1963.

Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Attention: Mrs. Garziglia.

Dear Mr. Hughes:

Your communication of December 18, 1963, requested the Board's views and recommendation regarding enrolled bill, S. 2228, "To change the requirements for the annual meeting date for national banks." This bill would amend section 5145 of the Revised Statutes (12 U.S.C. 71) to permit national banks to hold annual shareholders' meetings on such date as may be specified in the bylaws, rather than in the articles of association as presently required. The bill would also make a technical conforming amendment to section 5149 of the Revised Statutes (12 U.S.C. 75).

The Board perceives no objection to enrolled bill S. 2228 and recommends its approval by the President.

Sincerely yours,

(Signed) A. L. Mills, Jr.

A. L. Mills, Jr.



TELEGRAM  
LEASED WIRE SERVICE

4469  
Item No. 2  
12/19/63

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

December 19, 1963.

SCOTT -- KANSAS CITY

KECEA

- A. First Oklahoma Bancorporation, Inc.,  
Oklahoma City, Oklahoma.
- B. The Idabel National Bank, Idabel, Oklahoma.
- C. None.
- D. At any time prior to April 1, 1964, at the annual meeting of  
shareholders of such bank, or any adjournments thereof, to  
elect directors for the ensuing year and to act thereat upon  
such matters of a routine nature as are ordinarily acted upon  
at the annual meetings of such bank.

(Signed) Elizabeth L. Carmichael

CARMICHAEL

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

Item No. 3  
12/19/63

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

----- 1  
In the Matter of the Applications of  
THE ATLANTIC NATIONAL BANK OF JACKSONVILLE  
and ATLANTIC TRUST COMPANY  
for approval of the acquisition of voting  
shares of Daytona Atlantic Bank,  
Daytona Beach, Florida  
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ORDER APPROVING APPLICATIONS UNDER  
BANK HOLDING COMPANY ACT

There have come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), applications on behalf of The Atlantic National Bank of Jacksonville and the Atlantic Trust Company, both registered bank holding companies of Jacksonville, Florida, for the Board's approval of the acquisition of up to 35,000 of the 36,000 voting shares of the Daytona Atlantic Bank, Daytona Beach, Florida, a proposed new bank.

As required by section 3(b) of the Act, notices of the applications were given to, and views and recommendations requested

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of, the Comptroller of the Currency and the Florida State Commissioner of Banking, each of whom recommended approval of the applications. Notice of receipt of these applications was published in the Federal Register on October 5, 1963 (28 Federal Register 10762), which provided an opportunity for submission of comments and views regarding the proposed acquisition, and the time for filing such comments and views has expired and all comments and views filed with the Board have been considered by it.

IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said applications be and hereby are approved, provided that the acquisition so approved 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 19th day of December, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governor Mills.

Not participating: Governor Daane.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 4  
12/19/63

APPLICATIONS BY THE ATLANTIC NATIONAL BANK OF JACKSONVILLE  
AND ATLANTIC TRUST COMPANY FOR APPROVAL OF THE ACQUISITION  
OF THE SHARES OF THE DAYTONA ATLANTIC BANK, DAYTONA BEACH,  
FLORIDA, A PROPOSED NEW BANK

STATEMENT

The Atlantic National Bank of Jacksonville ("Atlantic Bank") and Atlantic Trust Company, both of Jacksonville, Florida (herein jointly referred to as "Applicants"), have applied pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act") for the Board's approval of the acquisition of up to 35,000 of the 36,000 shares of voting stock to be issued of the Daytona Atlantic Bank, Daytona Beach, Florida ("Bank"), a proposed new bank. Applicants are both registered bank holding companies; Atlantic Trust Company, which is not a bank, directly owns a controlling interest in nine banks, and all of the outstanding stock of Atlantic Trust Company is held by trustees for the benefit of the stockholders of Atlantic Bank.

Views and recommendations of supervisory authorities. -

Inasmuch as one of the Applicants is a national bank and the proposed Bank is to be a State bank, pursuant to section 3(b) of the Act notices of the applications were given to, and views and recommendations requested of, the Comptroller of the Currency and the Florida State Commissioner of Banking. Each recommended approval of the applications.

Statutory factors. - In acting upon these applications the Board is required under section 3(c) of the Act to take into consideration the following five factors: (1) the financial history and condition of the Applicants and the bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether the effect of the proposed acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Financial history and condition, prospects, and character of management of Applicants and Bank. - The financial history and condition, prospects, and management of the Applicants are considered satisfactory. Sound condition, satisfactory earnings, and capable management of the ten banks comprising the "Atlantic Group" are factors which mainly support the stated conclusions in respect to Applicants. Similarly, operating as a member of the Atlantic Group, Bank's prospects also are satisfactory. Its proposed financial structure appears sound and its growth and earnings prospects satisfactory. The fact that Bank's executive management will be drawn from the First Atlantic National Bank of Daytona Beach, a subsidiary of Applicants, and the further fact that the President of the largest bank in the Atlantic Group will be on Bank's board of directors justifies the conclusion that Bank's management will be satisfactory.

Convenience, needs, and welfare of the communities and area concerned. - The convenience, needs, and welfare most directly affected by Applicants' proposal are those of the residents and businesses in the City of Daytona Beach and the community of Holly Hill which adjoins Daytona Beach to the north. As hereafter discussed, the Greater Daytona Beach Area, encompassing Daytona Beach, Holly Hill, Ormond Beach, Port Orange, and other contiguous incorporated and unincorporated areas, must also be considered in respect to a determination as to the probable competitive effect if Applicants' proposal is consummated.

Daytona Beach is located on the eastern coast of Florida approximately 90 miles south of Jacksonville and had a 1960 population of about 37,000. The adjoining community of Holly Hill had a population of about 4,000 at the same date. The population of the Greater Daytona Beach Area was more than 75,000. Pertinent data submitted by Applicants evidences a continued growth in this area since 1960.

Daytona Beach, for years an ocean resort area and automobile race center, has recently experienced business and industrial development, accompanied by the aforementioned residential development. This development in Daytona Beach has occurred generally west of the downtown portion of the city. A municipal airport and large automobile speedway have been constructed southwest of the city at a point marking the apparent southeast boundary of the earlier-mentioned expansion. In the same general area southwest of the city, approximately

2-1/2 miles southwest of Bank's proposed site, the General Electric Company is developing its sizable Command Systems Division, Aerospace Industrial Park, a complex described as complementing the National Aeronautics and Space Administration installation some 60 miles to the south at Cape Kennedy. Further industrial and residential development that may occur will most likely be in a northerly direction from the site of General Electric's plant.

Bank's proposed site is located approximately three miles northwest of what appears to be downtown Daytona Beach, at the hub of three through streets of western Daytona Beach, including one of only two major east-west thoroughfares. Bank's designated primary service area, that is, the area from which Applicants estimate that at least 75 per cent of Bank's IPC deposits ("individuals, partnerships, and corporations") will originate, extends in a radius of 1.5 miles in all directions from the Bank's site and contains an estimated population of 20,000. It encompasses two major existing shopping centers and a third one now in the planning stage. Several other smaller shopping centers, the city's junior college, and a hospital are also located within Bank's primary service area. There is no bank located within this area. The nearest existing banks, including Applicants' Daytona Beach subsidiary, are approximately three miles to the east and southeast.

The evidence before the Board reflects that the Daytona Beach banks are presently meeting the major banking needs of the area.

Equally clear is the fact that greater convenience in respect to access to these services will be afforded through Applicants' proposal. Although the afore-mentioned General Electric plant, Municipal Airport, and automobile speedway are not located within Bank's primary service area, their location just beyond the southwestern edge of this area makes reasonable the conclusion that Bank will represent a more convenient and accessible facility for the latter area than the nearest presently existing banks some three miles distant. Bank's geographic accessibility would appear also to offer to many residents and businesses in its primary service area a more convenient source of banking service than is now afforded them.

The extent to which the convenience of the area's inhabitants will be accommodated by Bank's establishment and operation as part of the Atlantic Group is a consideration offering some, although not substantial, weight toward approval of the applications.

Effect of proposed acquisition on adequate and sound banking, public interest, and banking competition. - The Atlantic Group, to which Applicants belong, is composed of ten banks located in six counties of the State. At June 29, 1963,<sup>1/</sup> the Atlantic Group's banks held combined total deposits of \$365 million, representing approximately 6 per cent of the total deposits of all insured commercial banks in the State. First Atlantic National Bank, Daytona Beach, Applicants' only subsidiary in Volusia County, holds total deposits of approximately \$26 million, representing 21 per cent of the total deposits held by the nine banks in that county.

<sup>1/</sup> Unless otherwise indicated, all banking data are as of this date.

The banking structure of Greater Daytona Beach is made up principally of banks belonging to either group or chain systems. The systems' area banks - all located in Daytona Beach and adjoining Holly Hill - are not significantly different in aggregate deposit size. The following data reflect the percentages of deposits of all banks in Daytona Beach and Greater Daytona Beach, respectively, that are held by the three banks located in Daytona Beach: First Atlantic National Bank, 36 per cent and 30 per cent; Florida Bank and Trust Company, a bank in the Florida National Group (not a bank holding company under the Act), 29 per cent and 24 per cent; and the Commercial Bank, 34 per cent and 28 per cent. The Commercial Bank is closely associated through certain interlocking directors and common executive management with the Exchange Bank, Holly Hill, and, according to the Applicants, will be similarly associated with a proposed new bank, Peninsula State Bank. The Peninsula State Bank will be located about six miles southeast of Bank's proposed site.

Exclusive of the Daytona Beach banks, there are two other banks in the Greater Daytona Beach area. The Ormond Beach National Bank, Ormond Beach, located seven miles northeast of Bank's proposed site, was established in 1959 and has deposits of approximately \$14 million. The Exchange Bank, Holly Hill, opened in March 1963, is 3.8 miles northeast of Bank's proposed site, and holds deposits of \$1.3 million. The establishment of two additional banks in this area has been authorized. The Peninsula State Bank, earlier mentioned,

is one of these. The other, the Halifax National Bank, will be located at Port Orange, approximately seven miles south of Bank's proposed site.

As the foregoing data indicate, no one of the banks in Greater Daytona Beach dominates that market area. Clearly, such dominance will not be acquired by Applicants as a result of their ownership and operation of the proposed Bank, with anticipated deposits of \$5 million after three years of operation.

In respect to the likely effect of consummation of Applicants' proposal on the competitive abilities of the Greater Daytona Beach banks, little or no effect can reasonably be anticipated in respect to the Ormond Beach National Bank or to the proposed Peninsula State Bank and Halifax National Bank. The distance separating these banks from Bank's proposed site, and the apparent existing or anticipated local character of their respective operations, warrant the conclusion that the three banks named will be virtually unaffected by consummation of Applicants' proposal.

The Daytona Beach-Holly Hill area remains as the area most directly affected by the proposed acquisition. As earlier concluded, there is no substantial disparity in the sizes of the Daytona Beach banks. Apparent healthy competition exists among Applicants' Daytona Beach subsidiary, the Daytona Beach member of the Florida National Group with deposits of about \$21 million, and Commercial Bank, with deposits in excess of \$24 million. The latter bank has experienced, in recent years, substantially greater deposit growth than has either

of its two Daytona Beach competitors. These facts, together with the fact that Applicants' proposal involves the establishment of a new bank, rather than the acquisition of an existing independent bank, satisfy the Board that approval of these applications will not in any significant respect prove inconsistent with the preservation of banking competition in Daytona Beach.

In respect to the Exchange Bank at Holly Hill, while the nearly four miles separating it from the proposed Bank's site will not foreclose competition between them, this distance, together with their respective sizes, portends minimal direct competition. The basically residential nature of the area served by the Exchange Bank, and that to be served by the proposed Bank, indicates that the service of each will be, for the most part, "local" in character, and that their respective primary service areas will not overlap. Even assuming that as a result of Applicants' control of Bank, Exchange Bank should encounter a more vigorous, competitive climate than now exists, in view of its association with the second largest and fastest growing bank in Daytona Beach, there is little likelihood it would experience any real impediment to continued growth, the potential of which is indicated by its deposits in excess of \$1 million after but three months of operation.

Summary and conclusion. - For the reasons herein given, the Board finds that the financial history and condition, prospects, and character of management of Applicants and of Bank are satisfactory and, accordingly, consistent with approval of the applications. The Board's

finding that more convenient banking service will result from the proposed acquisition weighs slightly in favor of approval of the applications. At the same time, it is the Board's judgment that the proposed acquisition will not result in an expansion in the size or extent of the Atlantic Group that will be inconsistent with adequate and sound banking, the public interest, or the preservation of banking competition.

On the basis of all the relevant facts as contained in the record before the Board, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the applications should therefore be approved.

December 19, 1963.

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

Item No. 5  
12/19/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1963.

Mr. E. H. Galvin, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Dear Mr. Galvin:

This refers to your November 5 letter transmitting revised copies of the California State Banking Department's forms for reporting and publishing condition data, and information regarding the State ruling that Federal funds transactions are not loans-borrowings transactions, which raises the question regarding continued acceptance of publication of the State form in lieu of publication on form FR 105e-1.

Although the State forms are now identical in format with the Federal Reserve forms, it is believed that any substantive differences in the instructions for completing the reports would preclude a few California State member banks from satisfying Board publication requirements by a single publication on the State form. The ruling on the classification of Federal funds transactions issued by the Superintendent of Banks of the State of California on October 4, 1963, quoted in Mr. Ahlf's letter of October 7, could create an exception to the joint publication arrangements, approved by the Board in its letter of February 28, 1952 to your Bank, if the State Department should give specific instructions to its banks to exclude Federal funds transactions from its loans and borrowings items.

The Board has not amended its "Instructions for the Preparation of Reports of Condition by State Member Banks of the Federal Reserve System," form FR 105a; it reiterated its position of long standing as to the classification of Federal funds transactions in its letter of September 9, 1963 (S-1889); and this position was published both in the September 1963 BULLETIN (page 1238) and in the Federal Register, September 13, 1963 (page 9938).

Mr. E. H. Galvin

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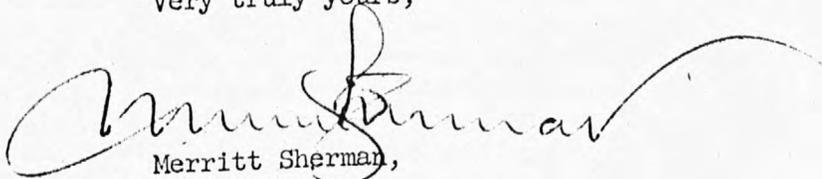
If the State Banking Department does not issue specific instructions to its banks regarding the reporting of Federal funds transactions, it is suggested that you remind any State member banks involved in such transactions on a joint call date that Federal funds transactions should be included in the loans and borrowings items.

If the State Banking Department should decide to issue specific instructions to its banks to exclude Federal funds transactions from loans and borrowings, it is suggested that your Bank and the State Banking Department accept joint publication under the following condition, which your Bank is hereby authorized to accept for this one call: In publishing its report, the State member banks having Federal funds transactions should interline these transactions as separate items on the State form just before or after the usual "loans and discounts" or "rediscounts and other liabilities for borrowed money" items.

If this procedure is not mutually agreed upon by your Bank and the State Banking Department, separate publication on form FR 105e-1 must be required. However, your Bank may accept joint publication on the State form, without amendment, from those State member banks in California which are not engaged in Federal funds transactions on a joint call date.

Please keep the Board advised as to how State member banks carry out their publication requirements at the forthcoming call. Incidentally, staff negotiations are continuing among representatives of the three Federal supervisory agencies and the State Banking Departments in the hope that uniformity in bank condition report forms with respect to reporting of Federal funds transactions and other inconsistencies may be restored.

Very truly yours,

  
Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

4483  
Item No. 6  
12/19/63

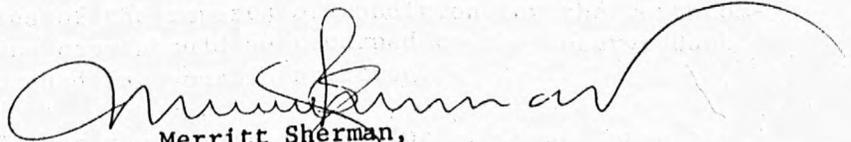
December 19, 1963.

Dear Sir:

Enclosed is a copy of a letter from the Honorable Wright Patman, Chairman of the Committee on Banking and Currency of the House of Representatives, dated December 14, 1963, in which he requests that the Federal Reserve Banks supply additional information regarding two categories of expenditures incurred by some or all of the Banks. Attached to Mr. Patman's letter is a list of topics on which additional information is requested.

The Board will appreciate your reviewing this letter and the list of topics. It will also appreciate receiving some indication of the approximate date on which the information requested by Mr. Patman for your Bank may be expected to reach the Board.

Very truly yours,

  
Merritt Sherman,  
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 7  
12/19/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1963.

Dear Sir:

There are being sent to your Bank      copies of a Commercial Bank Loan Loss Questionnaire for use of State member banks in reporting supplemental information on the maintenance of reserves for bad debt losses set up pursuant to Internal Revenue Mimeo 6209. These reports were prepared by the Treasury Department and are being collected by the Federal bank supervisory agencies from all insured commercial banks. The purpose of the report and instructions for completion are stated in the form.

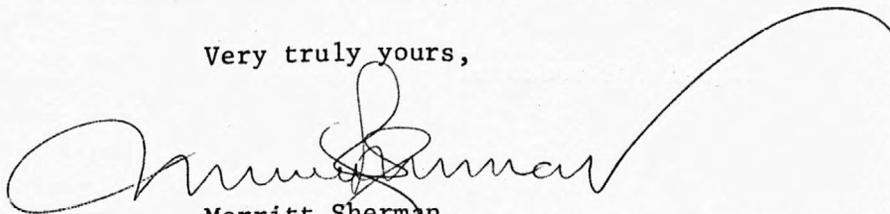
This questionnaire represents only a fraction of the information to be used in the Treasury study; most of the data to be furnished are available from reports of condition or income and dividends and need not be obtained by a questionnaire.

Three copies of the form should be forwarded to each State member bank with copies of the reports of condition for the forthcoming year-end call. One copy should be returned to the Reserve Bank. Sample copies are attached for your information.

It is hoped that the required handling of these forms at the Reserve Bank will be minor. The completed forms should be examined for internal consistency, i.e., that item 1(a) is checked "Yes" or "No" and that item 1(b) is completed if item 1(a) is checked "Yes." Item 2 should be completed on all reports. Some Reserve Bank correspondence with State member banks may be necessary to obtain correction of inconsistent reports, but other editing, including comparisons with Reports of Condition and Reports of Income and Dividends, will be done incident to processing.

Please forward the forms to the Board's Division of Bank Operations when they have been received from all State member banks in your District.

Very truly yours,



Merritt Sherman,  
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

4486

Item No. 8  
12/19/63

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 20, 1963.



CONFIDENTIAL (FR)

Mr. Joseph R. Campbell, Vice President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Dear Mr. Campbell:

In accordance with the requests contained in your letters of December 12, 1963, the Board approves the appointment of James P. Greer, William J. McCuen, Jr., and Joseph J. Ponczka, at present assistant examiners, as examiners for the Federal Reserve Bank of Philadelphia. Please advise if the appointments are not made effective on December 30, 1963.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.