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Minutes for March 6, 1964

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

(M)

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Friday, March 6, 1964. 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. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Holland, Associate Director, Division of Research and Statistics
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Partee, Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Sammons, Adviser, Division of International Finance
Mr. Katz, Associate Adviser, Division of International Finance
Mr. Spencer, General Assistant, Office of the Secretary
Mr. Morgan, Staff Assistant, Board Members' Offices
Mr. Axilrod, Chief, Government Finance Section, Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Bernard, Economist, Division of Research and Statistics
Mr. Baker, Economist, Division of International Finance
Mr. Gemmill, Economist, Division of International Finance

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Money market review. There were distributed tables on selected monetary indicators and on monetary developments for the five-week period ended March 4, 1964.

Mr. Bernard reported on recent developments in the Government securities market. Mr. Koch discussed bank reserves, bank credit, and the money supply, during the course of which he referred to the table that had been distributed on selected monetary indicators as well as tables on the relative rise in components of the money supply, 1960-1963; the relative rise in major components of currency in circulation, 1960-1963; the annual percentage rise in currency in circulation, 1950-1963; and the rise in currency in circulation, by denominations, 1963. Mr. Baker then commented on recent foreign exchange market developments.

Following discussion based on those reviews, all members of the staff except Messrs. Sherman, Kenyon, Fauver, Brill, Solomon, and Spencer withdrew from the meeting, and the following entered the room:

Mr. Hackley, General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Shay, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Thompson, Assistant Director, Division of Examinations
 Miss Hart, Senior Attorney, Legal Division
 Mr. Hricko, Senior Attorney, Legal Division
 Mr. McClintock, Supervisory Review Examiner, Division
 of Examinations
 Miss McShane, Assistant Review Examiner, Division of Examinations
 Mr. Noory, Assistant Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on March 5,

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1964, 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 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 The Merrill Trust Company, Bangor, Maine, approving the establishment of a branch in Castine. | 1 |
| Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving (1) the establishment of a branch at 3949 Chestnut Street, and (2) an investment in bank premises incident to the establishment of this branch. | 2 |
| Letter to The Detroit Bank and Trust Company, Detroit, Michigan, approving the establishment of a branch in the vicinity of West Seven Mile Road and Telegraph Road. | 3 |
| Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Mountain View. | 4 |

Report on competitive factors (Exeter-Newmarket, New Hampshire).

There was approved unanimously for transmittal to the Comptroller of the Currency a report on the competitive factors involved in the proposed merger of The New Market National Bank, Newmarket, New Hampshire, with The Rockingham National Bank of Exeter, Exeter, New Hampshire. The conclusion in the report read as follows:

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Both The Rockingham National Bank of Exeter, Exeter, and The New Market National Bank, Newmarket, are subsidiaries of New Hampshire Bankshares, Inc., and are considered non-competitive institutions. The proposed merger would neither create an institution of inordinate size nor would it be expected to have adverse effects on other banking institutions.

Application of Girard Trust Corn Exchange Bank. There had been distributed a memorandum from the Division of Examinations dated March 3, 1964, and supporting papers with respect to the application of Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, for permission to merge with The First National Bank of Riegelsville, Riegelsville, Pennsylvania. The Division's recommendation was favorable.

At the Board's request, Mr. Leavitt made a statement regarding the facts of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the March 3 memorandum.

Governor Mills stated that he would approve the application for the reasons cited by the Division of Examinations and would add, beyond that, the factor that Riegelsville had access to banking facilities in New Jersey and in New York City. In his thinking, it would be desirable to bring the Riegelsville community more within the general orbit of the Philadelphia and other Pennsylvania banking institutions. Through the merger, State banking ties would be strengthened, and this should be competitively helpful.

Governor Robertson said that he did not find adverse factors in this case--his difficulty was in finding favorable factors to warrant a

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conclusion that the merger would be in the public interest. The case made in this respect was weak, and the application was borderline in his view. However, he would approve.

The other Board members also having indicated that they would favor approval of the proposed transaction, the application was approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Messrs. Shay, Hricko, and McClintock then withdrew from the meeting, as did Miss Hart and Miss McShane.

Application of First Wisconsin Bankshares Corporation. There had been distributed a memorandum from the Division of Examinations dated February 28, 1964, and supporting papers with respect to an application by First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, to acquire 80 per cent or more of the 3,000 shares of common stock to be issued by Brookfield National Bank, Brookfield, Wisconsin, a proposed new bank. The Division's recommendation was favorable.

At the Board's request, Mr. Thompson reviewed the facts of the case and the reasons underlying the favorable recommendation of the Division of Examinations, his comments being based on the material that had been distributed. During this review, Mr. Thompson noted that the Comptroller of the Currency had given preliminary approval to a charter for the Brookfield bank. He then responded to several questions about the proposed location of Brookfield National Bank and the location of other banks in the general area. He also stated that the Wisconsin

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State Bank Commissioner had expressed no views on the application, and that the Division of Examinations had no knowledge of other parties having indicated an interest in establishing banking facilities in the shopping center area where Brookfield National Bank would be located.

There followed expressions of views by members of the Board.

Governor Mills stated that he would approve the application for the reasons submitted by the Division of Examinations. He thought there was a factor open to question where the largest bank holding company in the State wished to establish a subsidiary bank in a favored location. But against this consideration, the holding company's control over banking resources would not be expanded unduly. Beyond that, if the application were denied, the result would be the strengthening of control over the particular area in the hands of the existing banks. If the application by First Wisconsin were approved, it would introduce a new banking element into the competitive picture.

Governor Mills went on to say that Sears Roebuck and Company undoubtedly had a voice in choosing the banking instrument that it would like to serve the shopping center which it was to build. It seemed obvious that First Wisconsin was Sears' choice, and this was a subsidiary reason for giving favorable consideration to the application, rather than to inflict on Sears the possibility that the bank located in the shopping center--which would prove almost essential to the successful operation of the center--would not be an institution of its own preference.

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Governor Robertson stated that he would approve the application, but solely because the question of need for banking facilities in this area--which did not seem to him apparent from the available material--already had been decided by the Comptroller of the Currency. Since the Comptroller had decided that such a need existed it would amount, in effect, to overruling him to disapprove the application. There was the question whether the dominance of the holding company in the general area was in itself a sufficient basis for denial. It was very close to being sufficient, in his opinion. In view of the Comptroller of the Currency's determination of the need factor, he would approve the application, but with reluctance.

Governor Shepardson stated that he would approve the application on the basis of the recommendation made by the Division of Examinations.

Governor Mitchell said that he thought the community needed a bank, although in his view it would have been preferable if there had been a different applicant as farsighted as First Wisconsin.

Governors Balderston and Daane also having indicated that they favored approval, the application was approved unanimously.

There followed a discussion relating to a question by Governor Balderston with respect to the kind of supporting statement that should be prepared by the Legal Division. During the discussion, Governor Mills indicated that he thought emphasis should be placed on the fact that a small bank was being established in a metropolitan area in a State that prohibited branch banking. In his view, it would not be necessary to

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inject into the Board's statement comments on the size and degree of dominance of the bank holding company. There appeared to be general agreement with this approach, Governor Balderston remarking that this was essentially a case where a new bank was being established in an area needing a banking facility. In his opinion, this distinguished the present case sufficiently from the applications of First Wisconsin to acquire shares of banks in Racine and Janesville, which applications were denied by orders of the Board dated January 31, 1963.

Following further comment, it was understood that the Legal Division would prepare an order and supporting statement reflecting the decision for the Board's consideration, having in mind the suggestions made during the discussion.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 5) approving the appointment of Lawrence D. Persick as assistant examiner.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 6) approving the appointment of G. Read Yeadon, Jr., as assistant examiner.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
3/6/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1964

Board of Directors,
The Merrill Trust Company,
Bangor, Maine.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Merrill Trust Company, Bangor, Maine, of a branch on Battle Avenue, Castine, Maine, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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.)

Item No. 2
3/6/64

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1964

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, at 3949 Chestnut Street, Philadelphia, Pennsylvania, provided the branch is established within six-months from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$95,000 in bank premises incident to the establishment of the branch approved in this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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 GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 3
3/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1964

Board of Directors,
The Detroit Bank and Trust Company,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Detroit Bank and Trust Company, Detroit, Michigan, of an in-town branch in the vicinity of the intersection of West Seven Mile Road and Telegraph Road, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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 GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

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Item No. 4
3/6/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1964

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank, San Francisco, California, in the vicinity of the intersection of San Antonio Road and Alma Street, Mountain View, Santa Clara County, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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 GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
3/6/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 6, 1964

CONFIDENTIAL (FR)

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania 19101.

Dear Mr. Campbell:

In accordance with the request contained in your letter of March 3, 1964, the Board approves the appointment of Lawrence D. Persick, as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise the effective date of the appointment.

It is noted that Mr. Persick is indebted to Germantown Savings Fund, Philadelphia, Pennsylvania, a nonmember bank, and The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, a State member bank. Accordingly, the Board's approval of the appointment of Mr. Persick is given with the understanding that he will not participate in any examination of either bank to which indebted so long as his indebtedness thereto remains unliquidated.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 6
3/6/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1964

CONFIDENTIAL (FR)

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

Dear Mr. Galvin:

In accordance with the request contained in Mr. Cavan's letter of February 25, 1964, the Board approves the appointment of G. Read Yeadon, Jr., as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise the salary rate and effective date of the appointment.

It is noted that Mr. Yeadon is indebted to The Bank of California National Association, San Francisco, California, a member bank, of which his father is Trust Officer and Assistant Secretary. Accordingly, the Board's approval of the appointment of Mr. Yeadon is given with the understanding that he will not participate in any examination of that bank so long as he is indebted to, or is related to an officer of that institution.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.