

FR609

Minutes for March 13, 1964.

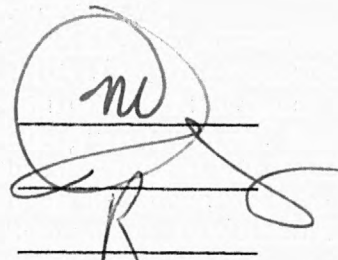
To: Members of the Board
From: Office of the Secretary

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.

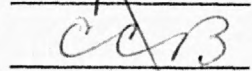
Chm. Martin



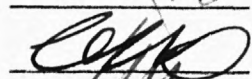
Gov. Mills

Gov. Robertson

Gov. Balderston




Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Friday, March 13, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Mitchell 1/
Mr. Daane

Mr. Sherman, Secretary
Mr. Broida, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Fauver, Assistant to the Board
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. Hersey, Adviser, Division of International Finance
Mr. Katz, Associate Adviser, Division of International Finance
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Axilrod, Chief, Government Finance Section, Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Keir, Chief, Capital Markets Section, Division of Research and Statistics
Mr. Baker, Economist, Division of International Finance
Mr. Gemmill, Economist, Division of International Finance

Money market review. Mr. Axilrod discussed developments in the Government securities market, following which Mr. Partee commented

1/ Joined meeting at point indicated in minutes.

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on bank credit and reserves. Tables were distributed showing (1) a summary of monetary developments in the four weeks ending March 11, 1964, and (2) statistics on loans, investments, and deposits of weekly reporting member banks. Mr. Baker then reviewed conditions in various foreign exchange markets.

All members of the staff except Messrs. Sherman, Fauver, and Koch, and Mrs. Semia then withdrew, and the following entered the room:

Mr. Cardon, Legislative Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Connell, Controller
Mr. Bakke, Assistant Secretary
Mr. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Miss Hart, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. McClintock, Supervisory Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations
Mr. White, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on March 12, 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.

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

Item No.

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| Letter to Peoples Trust Company of Bergen County, Hackensack, New Jersey, approving the establishment of a branch in the Borough of Demarest. | 1 |
| Letter to Trust Company of Morris County, Morristown, New Jersey, approving the establishment of a branch in Harding Township. | 2 |
| Letter to Wells Fargo Bank, San Francisco, California, approving the relocation of a branch from 1440 Fulton Street to Fresno and Van Ness Streets, Fresno, California. | 3 |
| Letter to The Marine Midland Trust Company of New York, New York, New York, approving the establishment of a branch in London, England. | 4 |
| Letter to the Federal Reserve Bank of Dallas approving the appointment of Thomas H. Robertson as Federal Reserve Agent's Representative at the El Paso Branch. | 5 |
| Letter to the Federal Reserve Bank of Dallas approving the appointment of J. Lero Griffin and Charles B. Walls as additional Alternate Assistant Federal Reserve Agents. | 6 |

Application of Girard Trust Bank (Items 7 and 8). There had been distributed drafts of an order and statement reflecting the Board's approval, on March 6, 1964, of the application of Girard Trust Bank (previous title, Girard Trust Corn Exchange Bank), Philadelphia, Pennsylvania, to merge with The First National Bank of Riegelsville, Riegelsville, Pennsylvania.

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The issuance of the order and statement was authorized; copies of the documents, as issued, are attached as Items 7 and 8.

Seminar on monetary research (Item No. 9). On February 14, 1964, the Board approved in principle a proposal for an arrangement with the Social Science Research Council for a series of meetings of a group of monetary economists in an effort to determine the status of empirical research in monetary economics and the major data problems in the area. There had now been distributed a memorandum from Mr. Brill dated March 12, 1964, reporting that the Council was willing to sponsor the effort and to enter into a contract with the Board to produce a series of papers on the subject. Estimated 1964 costs of the project were \$10,000, of which the Council was willing to supply \$1,000. The memorandum listed the economists who were expected to participate, their first meeting to be held on March 13-14.

During discussion questions were raised as to whether the economists who had been chosen to participate would provide a satisfactory balance of views. Response was made that the selection process by the Research Council had sought to bring in economists who were doing the most quantitative research in the subject area. Comments also were made that it was desirable to try to improve Federal Reserve relations with academicians, especially the econometric group, and that the Board should avoid leaving itself open to a charge of influencing the selection of participants because of a knowledge of their views.

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At the conclusion of the discussion, the proposed contract with the Council was approved unanimously.

Secretary's Note: A copy of the letter embodying the contract, as sent to the Council pursuant to this action, is attached as Item No. 9.

It was understood that the \$9,000 called for by the contract with the Council would constitute an expenditure not provided for in the Board's budget for 1964.

Mr. Koch then withdrew from the meeting.

Kansas City Crime Commission (Item No. 10). On February 19, 1964, in the course of a discussion of the report of the most recent examination of the Federal Reserve Bank of Kansas City, question was raised as to the propriety of the Bank's yearly contribution to the Kansas City Crime Commission, and the staff was requested to develop background information. There had now been distributed a memorandum dated March 5, 1964, from the Division of Bank Operations reviewing the history of this expenditure, which dated back to 1951. It was noted that this was one of a number of items budgeted by Reserve Banks as contributions to "civic associations" in a survey of 1957 budgets. At that time the Kansas City Reserve Bank had felt that all of its expenditures of this nature appeared to fall within the Board's standards of propriety. The memorandum concluded with the suggestion that in any further consideration of this contribution, the Board might want to take into account that Chicago, St. Louis, and perhaps other cities

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also had crime commissions, but that Kansas City apparently was the only Reserve Bank that made a contribution to such an organization at this time. Attached to the memorandum was a letter dated February 20, 1964, in which the Federal Reserve Bank of Kansas City noted that at the time of the most recent examination President Clay had explained to Mr. Schaeffer, Chief Federal Reserve Examiner, that the Bank had reviewed carefully all of its expenditures in the area of membership dues, donations, and contributions, and that, although the Bank felt that the contribution to the Kansas City Crime Commission was worth while, it recognized that it might be borderline, so far as the question of appropriate expenditure of Federal Reserve Bank funds was concerned.

Discussion developed a consensus in favor of suggesting to the Federal Reserve Bank of Kansas City that the next time funds were solicited for the Kansas City Crime Commission the Bank decline to contribute.

Secretary's Note: A copy of a letter conveying this suggestion to the Federal Reserve Bank of Kansas City is attached as Item No. 10.

Messrs. Kiley and Smith then withdrew from the meeting.

Administrative Conference of the United States (Item No. 11).

There had been distributed a memorandum dated March 10, 1964, from Mr. Bakke regarding a request of February 21, 1964, from the Bureau of the Budget for up-to-date comments on recommendations of the Administrative Conference of the United States and the status of action

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to implement those recommendations. The Conference, created in 1961 for the purpose of studying Federal administrative processes and recommending ways and means of improving them, made 30 recommendations in its final report to the President on December 15, 1962. On April 15, 1963, in response to a request from the Bureau of the Budget, the Board commented on 29 of these recommendations. The remaining one related to a proposed "code of behavior" governing ex parte contacts in on-the-record administrative proceedings; the Board had indicated that this recommendation was under study. The memorandum suggested that, in response to the Bureau's request for a second report, the Board reiterate, with minor revisions, its previous comments regarding the recommendations other than that relating to the proposed code. The Board could either say again that the code was under consideration, or could decide upon a position with regard to it. The memorandum advocated the latter course, and suggested that it would be appropriate for the Board to express the view that, so far as its affairs were concerned, the code would be largely redundant because (1) the volume of on-the-record administrative proceedings conducted by the Board is negligible; (2) the type of proceeding involved when the infrequent occasion arises is such that the only type of ex parte communication of genuine concern is the receipt or disclosure by persons involved in the decisional process of material facts to which all proper parties are not privy; and (3) with regard to this area of concern it was believed that the Board's established practice in handling ex parte

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representations concerning facts material to the issues in proceedings involving on-the-record hearings, together with the rule regarding unpublished information of the Board, were adequate to safeguard the interests of parties to such proceedings. Circumstances supporting this proposed position were discussed in the memorandum, and attached was a draft of reply to the Bureau of the Budget.

After summary comments by Mr. Bakke, question was raised whether, even though the recommended code of behavior was superfluous so far as the Board's affairs were concerned, the Board might well subscribe to it in the interests of reflecting an image of agency cooperation. Responding comment was to the effect that there was already a multiplicity of rules that should not be increased in the absence of need, and that, if it wished, the Board could adopt the code sometime later as a token of cooperation.

The letter to the Bureau of the Budget, with enclosure, was then approved unanimously; a copy of the letter is attached as Item No. 11.

Messrs. Johnson, Connell, and Sprecher then withdrew from the meeting.

Personal property leasing (H. R. 9822). On March 11, 1964, the Board discussed a draft of reply to a request from Chairman Multer of the Subcommittee on Bank Supervision and Insurance of the House Committee on Banking and Currency for the Board's views on H. R. 9822,

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a bill "To prohibit banks from engaging in the business of personal property leasing." On the basis of comments made during that discussion, a revised draft of reply was prepared, copies of which had now been distributed.

Governor Robertson, who had not been present during the earlier discussion, stated that he had serious doubts about leasing by banks. He regarded the tone of the proposed reply as satisfactory, but its substance as inadequate. It would be desirable, in his opinion, for the Board to take the position that leasing should be confined to transactions that were merely alternatives to traditional financing arrangements, and that it should be evidenced by similar instruments and have maturities no longer than conventional loans for purchasing equipment. Leasing was really an instalment lending device, and if a bank was to be authorized to purchase property for leasing, the arrangement should be a single transaction; a bank should not be permitted to purchase a piece of equipment, lease it for a month or two to one customer, and then to another. If leasing could be kept within the bounds of single-transaction financing, Governor Robertson did not see that it was necessary to prohibit it.

Governor Mills reiterated the misgivings he had expressed during the earlier discussion. The Board had expressed concern about deterioration in the quality of credit, yet if it gave its approval to leasing, which did not involve credit transactions but purchases of

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capital assets, as he saw it, the result was that the Board would encourage the very deterioration of credit that it sought to prevent.

Further discussion dealt with the mechanics of traditional financing, the extent to which leasing departed from such traditions, and the point at which those departures took on aspects that might make their prohibition desirable. Various suggestions were made for further changes in the proposed letter.

At the conclusion of the discussion, the staff was requested to prepare a new draft of letter based on today's comments.

During the preceding discussion Governor Mitchell entered the room, and at its conclusion Mr. Poundstone withdrew.

Nonbanking services (H. R. 9548). There had been distributed two memoranda, prepared pursuant to the understanding at the Board meeting on February 19, 1964, regarding H. R. 9548, a bill to prohibit banks from performing certain nonbanking services. In one memorandum, dated February 24, 1964, the Division of Examinations described various activities of banks that had caused objections to be raised by public accountants, data processing service organizations, and others, and which no doubt had prompted the introduction of H. R. 9548. The memorandum also summarized the responses of the Federal Reserve Banks to several questions relating to the numbers of cooperative bank service corporations, the extent to which State member banks were doing data processing for other banks and for persons other than banks, and pertinent State laws. The second memorandum, dated March 10, 1964, from

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the Division of Examinations and the Legal Division, summarized the replies of the Reserve Banks to a request for comments on H. R. 9548 and attached a draft of reply to a request from Chairman Multer of the Subcommittee on Bank Supervision and Insurance of the House Committee on Banking and Currency for a report on the bill. The draft letter would state that, although there were possibilities of abuse in the providing of data processing services by banks or by others, it did not appear that such abuses were so prevalent or so likely to become prevalent as to justify the enactment of legislation prohibiting such services by banks.

During discussion Governor Mitchell expressed the view that data processing for customers or for other banks was a natural activity for banks and would lessen the cost of doing business. Such services would, it was true, provide tough competition for data processing firms, but he did not see anything wrong with competition. He believed that the push toward automation was so great that no business of more than the smallest size could long resist having its bookkeeping done by a machine, and it was necessary to view this evolution realistically and not try to protect a business that clung to hand methods. As for the issue of banks providing this service, there was no quarrel about their doing it for their correspondents, and once a bank had a computer it was only natural that it be used for the internal accounting of the bank's customers, especially for small business customers. The basic structure of business was such that banks had a head start in this

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growing field. In his view, the technology of the computer in banking was just beginning to be felt. He suggested various revisions in the draft letter.

Governor Robertson commented that, while he did not favor the proposed legislation, he thought it would be well to indicate in the report the possibility that the expansion of data processing services by banks would represent a real threat to the competitive ability of small banks that were unable to acquire the necessary expensive equipment, because larger banks would bid customers away from smaller banks by offering free data processing services. He would not object to banks that had excess computer capacity using it for correspondent banks, but, without denying the merits of freedom of competition, he foresaw dangers in permitting banks to acquire electronic equipment far beyond their own needs in order to attract customers.

Governor Balderston suggested that a significant effect on banking concentration might result if, say, one of the large branch banking organizations should undertake to exploit computer services on a large scale, handling payrolls and other business not only for banks but for customers. It would be especially advantageous to a bank to handle payrolls for its customers, because through them it might be able to attract the accounts of the customers' employees.

After further comments describing the growth of data processing by banks for other banks and for customers, it was agreed that further

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consideration would be given next week to the reply to be made to Chairman Multer, on the basis of a revised draft to be based on the comments made at today's meeting.

Application of Hyannis Trust Company. There had been distributed a memorandum dated March 3, 1964, from the Division of Examinations, along with other pertinent papers, regarding the application of Hyannis Trust Company, Hyannis, Massachusetts, for consent to consolidate with Cape Cod Trust Company, Harwichport, Massachusetts, under the charter of Hyannis Trust Company and with the title Cape Cod Bank and Trust Company. The Division recommended approval.

At the Board's request, Mr. McClintock summarized the principal circumstances involved in the proposal, noting especially that Barnstable County, Massachusetts, was served by nine relatively small commercial banks, of which those here involved rank first and third. In addition, there were a number of mutual savings banks in the area, which under Massachusetts law exercised broader powers than such institutions elsewhere. Hyannis Trust now held about 27 per cent of deposits of individuals, partnerships, and corporations in its six-bank trade area, which percentage would be increased to 45 upon consummation of the merger. However, despite that percentage, it was not felt that the bank would be overwhelmingly dominant, and the presence of the savings banks also diminished the significance of the 45 per cent concentration.

After the staff had responded to various questions posed by members of the Board, Chairman Martin called for expressions of views.

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Governor Mills stated that he would approve for the reasons the Division of Examinations had submitted. He believed that particular importance should be placed on the geographical nature of Cape Cod, which, with its relatively small towns and small banks, was conveniently accessible to Boston. Some comparisons might be drawn between the Cape Cod area and the Eastern Shore of Maryland, where it had been felt that incursions of large Baltimore banks would not unduly disturb small banks in the area because the latter served localized business that did not need to look beyond small-bank services. The present proposal did not involve infiltration by a large city bank; the bank that would result from the merger would still be a small bank. It could not be considered a giant that would overwhelm the smaller banks, yet it would be sufficiently larger to meet the requirements of larger Cape Cod industries, which were small compared with industry as a whole. The remaining smaller banks should be able to survive competitively and serve the particular communities in which they were domiciled. Moreover, the mutual savings banks and cooperatives in the general area would provide accessible banking services that would modify whatever competitive advantage the resulting bank might obtain.

Governor Robertson expressed the view that this was not a black and white case because of the relatively small size of the two institutions and the existence of the non-commercial bank institutions. The case was unique in one respect, namely, that there had been three adverse reports on the competitive factor. In view of this, he believed the

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application should not be approved unless those reports were sufficiently offset by favorable factors. He found the favorable aspects very skimpy. Although a need for a greater loan limit had been claimed, he found no persuasive support for that claim in the information submitted. Although small, these were the largest and third largest banks in the area, and the resulting bank would be twice as large as the one in second place. The extent to which the service areas of the two banks would become one also argued for denial in the absence of compelling favorable aspects. He would vote for disapproval.

Governor Shepardson commented that he too found the favorable arguments rather weak. On the other hand, he failed to see any serious adverse effect from the merger, particularly in view of the other institutions available in the area. He would be inclined to follow the recommendation of the Division.

Governor Mitchell remarked that it seemed to him there were no significant or compelling reasons for approval. In his view, the people of the communities involved did not need a wide range of services, and he doubted that the banks involved should be offering trust services. He did not believe that the business and credit needs of the area were such as to encourage mergers or consolidations. On the other hand, he thought potential competition for services to depositors would be lost by the merger, and suspected that if more precise methods were available for measuring competitive impact, it would be found that competition was having an effect on quality of services. He believed that

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the public was entitled to the services that resulted from competition, and would vote for disapproval.

Governor Daane commented that he did not have a fully articulated philosophy that would help him to arrive at a judgment on a case of this kind. On balance, however, he came to the view expressed by Governors Robertson and Mitchell. In view of the adverse competitive factor, so far as it related to commercial banking, and the absence of strong favorable factors, he would vote against the proposed merger, though with some qualms.

Governor Balderston, noting the three adverse reports on the competitive factor, questioned whether the agencies making those reports had taken sufficiently into account that in Massachusetts mutual savings banks are more like than unlike commercial banks. He wondered if the adverse comments might not have been predicated on the fact that the largest and third largest banks were involved, without sufficient recognition of the background picture. While he did not see many benefits that would come from the merger, he asked himself whether Cape Cod, with its peculiar geography, might be better or worse off if the merger was accomplished. He could not arrive at any firm negative answer to that question, and therefore would accept the Division's recommendation and vote for approval.

Chairman Martin expressed the view that the considerations seemed about evenly balanced. He did not know whether the area would

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be benefited greatly by the merger, but he doubted that it would be harmed. From his knowledge of the area, it needed anything that would push it forward a little, and the proponents of the merger had displayed considerable energy in pulling the proposal together. He would support the Division.

The application of Hyannis Trust Company was thereupon approved, Governors Robertson, Mitchell, and Daane dissenting. It was understood that the Legal Division would prepare for the Board's consideration an order and statement reflecting the majority decision, and that a statement or statements regarding the dissents of Governors Robertson, Mitchell, and Daane would also be prepared.

The meeting then adjourned.

Secretary's Notes: 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:

Plan of organization of Division of Data Processing

Plan of organization of the Division of Data Processing, as shown in the attached Item No. 12, effective March 15, 1964.

Salary increase

Theodore A. Veenstra, Jr., pursuant to transfer from the position of Chief, Call Report Section in the Division of Bank Operations, to the position of Chief, Financial Statistics Section, Division of Data Processing, an increase in basic annual salary from \$12,495 to \$13,265, effective March 15, 1964.

Transfers of positions within Division of Bank Operations

Reassignment of six positions, as follows, pursuant to Board approval on March 10, 1964, of a plan that included abolishment of the

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Current Series and Call Report Sections of the Division of Bank Operations, effective March 15, 1964:

Raymond J. Collier, Chief, Special Assignment Section

John C. Franzoni, Technical Assistant, Reserve Bank

Operations Section

P. D. Ring, Technical Assistant, Reserve Bank Operations
Section

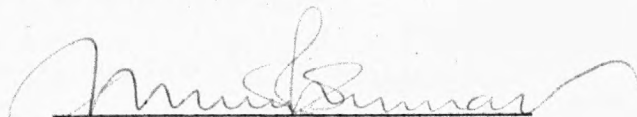
Eleanor E. Omohundro, Analyst, Special Assignment Section

Mary Frances Gifford, Statistical Clerk, Reserve Bank

Operations Section

(Vacant position), Statistical Clerk, Special Assignment Section

Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 13) approving the appointment of William R. Luchtenberg as examiner, and of Edward J. Siberry, Jr., and Walter W. Zunic as assistant examiners.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
3/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964.



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at the intersection of Park Street and Hardenburgh Avenue, Borough of Demarest, Bergen County, New Jersey, by Peoples Trust Company of Bergen County, 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

Item No. 2
3/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964.

Board of Directors,
Trust Company of Morris County,
Morristown, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Green Village Road and Mill Brook Road, Harding Township, Morris County, New Jersey, by Trust Company of Morris County, 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

WASHINGTON, D. C. 20551

Item No. 3
3/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964.

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the relocation of a branch by Wells Fargo Bank, San Francisco, California, from 1440 Fulton Street, Fresno, California, to the northeast corner of the intersection of Fresno and Van Ness Streets, Fresno, provided the branch in the latter location is established within one year from the date of this letter and operations at the bank's existing office located at 1440 Fulton Street are discontinued simultaneously with the opening of the office at Fresno and Van Ness Streets.

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 for the relocation of 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
3/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964.

The Marine Midland Trust Company
of New York,
120 Broadway,
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System grants permission to The Marine Midland Trust Company of New York, New York, pursuant to the provisions of Sections 9 and 25 of the Federal Reserve Act, to establish a branch in the City of London, England, to be located at 37 Threadneedle Street, London, E.C. 2, and to operate and maintain such branch subject to the provisions of such Sections.

Unless the branch is actually established and opened for business on or before March 1, 1965, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is opened for business. The Board should also be promptly informed of any future change in location of the branch in London.

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

Item No. 5
3/13/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964

Mr. Robert O. Anderson,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222.

Dear Mr. Anderson:

In accordance with the request contained in your letter of February 21, 1964, the Board of Governors approves the appointment of Mr. Thomas H. Robertson as Federal Reserve Agent's Representative at the El Paso Branch to succeed Mr. Marvin D. Cline, Jr.

This approval is given with the understanding that Mr. Robertson will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Robertson may, with the approval of the Federal Reserve Agent and the Vice President in charge of the El Paso Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Robertson is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that, with the approval of Mr. Robertson's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board together with advice of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
3/13/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964

Mr. Robert O. Anderson,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222.

Dear Mr. Anderson:

In accordance with the request contained in your letter of February 27, 1964, the Board of Governors approves the appointment of Messrs. J. Lero Griffin and Charles B. Walls as additional Alternate Assistant Federal Reserve Agents at the Federal Reserve Bank of Dallas.

This approval is given with the understanding that Messrs. Griffin and Walls will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of their duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, their responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents Messrs. Griffin and Walls may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

It will be appreciated if Messrs. Griffin and Walls are fully informed of the importance of their responsibilities as members of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of their appointments by the Board of Governors, Messrs. Griffin and Walls will execute the usual Oaths of Office which will be forwarded to the Board together with advice of the effective date of their appointments.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

 In the Matter of the Application of
 GIRARD TRUST BANK
 for approval of merger with
 The First National Bank of Riegelsville

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Girard Trust Bank,* Philadelphia, Pennsylvania, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The First National Bank of Riegelsville, Riegelsville, Pennsylvania, under the charter and title of the former. As an incident to the merger, the sole office of The First National Bank of Riegelsville would become a branch of Girard Trust Bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

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

* Entitled "Girard Trust Corn Exchange Bank" prior to March 9, 1964.

and the Department of Justice on the competitive factors involved in the proposed merger,

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

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

Dated at Washington, D. C., this 13th day of March, 1964.

By order of the Board of Governors.

Voting for this action: Vice Chairman Balderston, and Governors Mills, Robertson, Shepardson, Mitchell, and Daane.

Absent and not voting: Chairman Martin.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 8
3/13/64BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY GIRARD TRUST BANK
FOR PRIOR APPROVAL OF MERGER WITH
THE FIRST NATIONAL BANK OF RIEGELSVILLESTATEMENT

Girard Trust Bank,* Philadelphia, Pennsylvania ("Girard Trust"), with deposits of \$745.7 million as of September 30, 1963, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The First National Bank of Riegelsville, Riegelsville, Pennsylvania ("Riegelsville Bank"), with deposits of \$6.2 million as of the same date, under the charter and title of Girard Trust. The proposal contemplates that the sole office of Riegelsville Bank would be operated as a branch of Girard Trust, increasing the number of its operating offices to 42. In addition, Girard Trust has received approval to establish two other branches which are not yet operative.

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 Federal

* Entitled "Girard Trust Corn Exchange Bank" prior to March 9, 1964.

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. - Girard Trust and Riegelsville Bank have satisfactory financial histories. Each bank has a sound asset condition and an adequate capital structure. The management of each is satisfactory. While the earnings prospects of Riegelsville Bank are only fair, Girard Trust's earnings have been good consistently and its earnings prospects are satisfactory. Girard Trust's favorable position with respect to these factors would not be affected adversely by consummation of the proposal.

There is no indication that the 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. - Girard Trust operates 41 offices in the city of Philadelphia and the adjoining counties of Montgomery and Delaware. The proposed merger would have no significant effect upon the convenience and needs of the communities in which the bank now has offices.

The sole office of Riegelsville Bank is the only commercial banking office in Riegelsville, which has a population of about 1,000 and which is situated about 44 miles from Philadelphia along the

Delaware River in the extreme northeastern section of Bucks County. Riegelsville serves a trade area, predominantly agricultural, having an estimated population of over 5,000. The trade area covers portions of Bucks and Northhampton Counties, Pennsylvania, and a strip of Hunterdon County, New Jersey, adjacent to the Delaware River and readily accessible by a bridge at Riegelsville. Commercial activity of the area is limited to small retail stores. Local industry consists of a paperboard and box factory on the Pennsylvania side of the Delaware River and four paper mills on the New Jersey side. Many residents of the area commute to employment in Easton, eight miles north, and to the Allentown-Bethlehem area, twenty miles west. The economic outlook for the area appears to be stable and generally favorable. The population of Bucks County increased by over 113 per cent during the decade that ended in 1960.

Consummation of the transaction would make available at the Riegelsville branch of Girard Trust a more complete range of banking services than is presently offered by Riegelsville Bank. Girard Trust offers complete consumer installment loan services. This is an area of service Riegelsville Bank and its closest competitors have developed on only a nominal scale. Trust services and a material increase in lending limit also would be conveniently available to those residents and businesses of the area who must now seek such services elsewhere.

Competition. - On the basis of deposits, Girard Trust is the third largest among 41 banks in the combined service areas* of both banks, holding 14.8 per cent of the IPC deposits* of that area. Effectuation of the proposed merger would add about one-tenth of one per cent to the bank's proportionate share of such deposits and its relative standing would remain unchanged.

Under the law of Pennsylvania, banks can operate branches in their home county and counties adjacent thereto. Girard Trust operates branches in two of the three counties adjoining Philadelphia County. The proposed merger would result in the establishment of Girard Trust's first branch in Bucks County. Girard Trust's office nearest to Riegelsville is 40 miles away. Due to this distance and the existence of numerous intervening banking offices, only a negligible amount of competition exists between Girard Trust and Riegelsville Bank. The relatively insignificant increase in deposit size of Girard Trust, and its entry into an area where it presently has no office would have virtually no effect on banking competition as it presently exists in the areas now served by Girard Trust.

It does not appear that Riegelsville Bank is directly competitive with any Pennsylvania banks; its principal competitors are across the Delaware River in New Jersey. The First National Bank of Milford, Milford, New Jersey, eight miles east, and The Hunterdon County

* The areas from which each of the banks, respectively, obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations ("IPC deposits").

National Bank of Flemington, Flemington, New Jersey, whose nearest branch is about nine miles southeast, provide the principal competition for Riegelsville Bank. Both banks are well established and it does not appear that the merger would have any significant adverse competitive effects on their operations.

Riegelsville is equally accessible to New York City and Philadelphia, and industrial firms in the Riegelsville area have sought financing from New York City banks. The presence of a branch of Girard Trust in the area may tend to stimulate competition for these industrial accounts.

Summary and conclusion. - Consummation of the proposed merger would make available to individuals and industry in the Riegelsville area the broad range of services provided by a large Philadelphia bank.

The minor increase in the deposit size of Girard Trust would not alter its competitive standing in the areas it presently serves nor result in any competitive advantages adverse to other banks in the Riegelsville area.

Accordingly, the Board finds the proposed transaction to be in the public interest.

March 13, 1964.

Item No. 9
3/13/64

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 3, 1964.

Dr. Pendleton Herring, President,
Social Science Research Council,
230 Park Avenue,
New York, New York. 10017

Dear Dr. Herring:

This is to advise you of the Board's concurrence in the proposal set forth in your letter of March 5, 1964 for collaboration, between the Board's research staff and scholars designated by the Council, to develop a series of papers examining the status of empirical research in monetary economics and the major data and conceptual problems related thereto concerning which further exploration is indicated.

In connection with this project, which it is understood will be pursued in conformity with the general terms and conditions contained in your letter of March 5, the Board agrees to pay to the Council the sum of \$9000. One-half of this amount is being transmitted at this time, and the balance will be paid following completion of the final conference of participants in the fall of this year.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 10
3/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1964.



Mr. George H. Clay, President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64106

Dear Mr. Clay:

In its letter dated January 16, 1945 (S-826), addressed to the Chairmen and Presidents of the Federal Reserve Banks, the Board outlined certain basic considerations which, in its view, should guide the Banks in determining whether or not a particular type of expenditure would be appropriate. As indicated in that letter, the Board relies upon its examiners to bring to its attention any expenditures observed by them which seem to present a question of appropriateness.

Following the most recent examination of the Federal Reserve Bank of Kansas City, the Division of Examinations sought the guidance of the Board regarding the type of expenditure represented by a contribution your Bank made to the Kansas City Crime Commission under date of May 8, 1963.

There is no doubt that the purposes of the Crime Commission are most worthy, and that their accomplishment would be of benefit to the community. However, the question presented here appears to be similar to questions discussed in the Board's letter of May 13, 1946 (S-911), where the Board stated with respect to contributions to certain civic projects in the category of community welfare:

" . . . , the Board can not escape the conclusion that, because of the special relationship between the Federal Reserve Banks and the Government and the Government's residual interest in the assets of the Federal Reserve Banks, careful consideration must be given to what should be regarded as 'necessary expenses' under Section 7 of the Federal Reserve Act, and that in determining the policy to be followed in these matters, the limitations on local Governmental offices should be borne in mind. Contributions of the types referred to above would be primarily for purposes of local community welfare, and local offices of the Federal Government are not authorized to make such expenditures. The Board feels that contributions of this kind are not

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

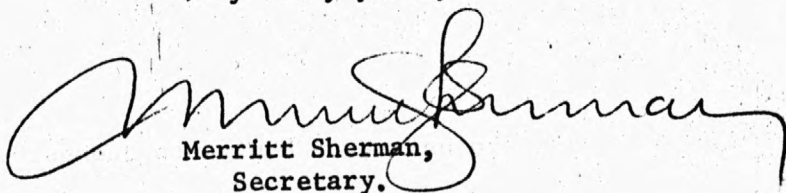
Mr. George H. Clay

- 2 -

"for a purpose so directly related to the conduct of the affairs of the Federal Reserve Banks as to justify their being regarded as 'necessary expenses' and accordingly that they should not be made by the Reserve Banks."

In the circumstances, even though some arguments can be offered in support of the kind of Reserve Bank expenditure here in question, the Board believes that the views expressed in the above quotation should be applied with respect to any such expenditures that may be considered by the Reserve Bank in the future.

Very truly yours,



Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11
3/13/64

OFFICE OF THE CHAIRMAN

March 16, 1964.

The Honorable Kermit Gordon,
Director,
Bureau of the Budget,
Washington, D. C.

Dear Mr. Gordon:

Pursuant to the request contained in Bureau of
the Budget Bulletin No. 64-10 of February 21, 1964, there are
submitted herewith the comments of the Board of Governors of
the Federal Reserve System concerning the recommendations of
the Administrative Conference of the United States.

Sincerely yours,

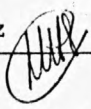
(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMItem No. 12
3/13/64

Office Correspondence

Date March 11, 1964.To Office of the ControllerSubject: Organization of theFrom M. H. Schwartz Division of Data Processing

Following the Board's approval yesterday of the reorganization of the Banking Statistics Function, the Division of Data Processing recommends that separate major areas of the Division's activities be set up as follows with positions assigned as listed in the attached Exhibit A:

Administration
Planning and Programming
Financial Statistics Section
Operations Section
Economic Graphics Section

The activities included within each of the separate areas would be as follows:

Administration--the two officers in the Division, their secretaries, and one Economist-Statistician.
Planning and Programming--statistical samples and methods, project planning, computer programming.
Financial Statistics Section--implementation of banking and financial series and surveys.
Operations Section--Computation Center, tabulating and key punching, and statistical control.
Economic Graphics Section--manual and machine graphics.

This memorandum is submitted in accordance with the provisions of Management Directive No. 7, dated April 15, 1959.

Attachment.

EXHIBIT AProposed Position Assignments in the Division of Data Processing

<u>B.P. No.</u>	<u>Name</u>	<u>Position</u>	<u>Grade</u>
<u>Administration</u>			
1	Maurice H. Schwartz	Director	
2	Lee W. Langham	Assistant Director	
3	Vacancy <u>1/</u>	Economist-Statistician	FR
4	JoAnn L. Murray	Secretary	FR 7
5	Daisy L. Condon	Secretary	FR 6
<u>Planning and Programming</u>			
1	Irving Gedanken	Statistician	FR 14
2	Dale K. Osborne	Economist	FR 12
3	Robert M. Steinberg	Economist	FR 12
4	Lewis J. Spellman	Economist	FR 11
5	Louis S. Zeller	Digital Comp. Prog.	FR 9
6	Daviette H. Stansbury	Digital Comp. Prog.	FR 9
7	New Position <u>2/</u>	Res. Assist. Summer	FR 7
8	Vacancy	Digit. Comp. Prog. Assist.	FR 5
9	New Position <u>2/</u>	Prog. Assist.	FR 4
<u>Operations Section</u>			
1	Donald B. Fitzhugh	Data Proc. Planner	FR 12
2	Albert C. Bain	Senior Oper. Tab. Eqt.	FR 7
3	Robert H. Craft	Digital Comp. Sys. Oper.	FR 6
4	Louise L. Hiller	Data Control Clerk	FR 5
5	Charles M. Wrenn	Digital Comp. Sys. Oper.	FR 5
6	Ray M. Reeder	Dig. Comp. Sys. Oper.	FR 5
7	Lyla E. Szillat	Key Punch Supr.	FR 4
8	Wilhelmina K. Steele	Oper. Tab. Equip.	FR 4
9	Frank J. Miller	Oper. Tab. Equip.	FR 4
10	Ruth H. Smith	Oper. Key Punch	FR 3
11	Charla Jo Hall	Oper. Key Punch	FR 3
12	James E. Miller	Oper. Tab. Eqt. Tr.	FR 3
<u>Economic Graphics Section</u>			
1	Helen R. Grunwell	Chief Draftsman	FR 11
2	Helen A. Lupton	Assoc. Chief Draftsman	FR 9
3	Winofred J. Racz	Chart Machine Oper.	FR 9
4	Irma B. Gavin	Draftsman-Illustrator	FR 6
5	Darrell Pepper	Chart Machine Oper.	FR 4
6	New Position <u>2/</u>	Draftsman	FR 4
7	Dorothy L. Folsom	Draftsman-Trainee	FR 3
8	M. Carla Schiller	Draftsman-Trainee	FR 3
9	Janet Marie Cross	Draftsman-Trainee	FR 3
10	Jean C. Hartig	Draftsman-Trainee	FR 3

<u>B.P. No.</u>	<u>Name</u>	<u>Position</u>	<u>Grade</u>
<u>Financial Statistics Section</u>			
1	Theodore A. Veenstra, Jr.	Chief	FR 13
2	Vacancy	Technical Assistant	FR 12
3	Robert Solodow	Analyst	FR 9
4	Myron B. Jonsberg, Jr.	Analyst	FR 6
5	Margaret K. Ball	Super., Call Report Unit	FR 7
6	Pearle E. Randour	Super., Res. Memb. Bk. Statement Unit	FR 7
7	Mary P. Barlow	Statistical Assistant	FR 6
8	Kathryn A. Jackson	Statistical Assistant	FR 6
9	Mary Louise Roberts	Statistical Assistant	FR 6
10	Karen M. Cava	Secretary	FR 5
11	Susan R. Clark	Statistical Clerk	FR 5
12	Jacqueline Schuster	Statistical Clerk	FR 5
13	Sandra Lee Wolfe	Secretary	FR 5
14	Lula B. Bierly	Statistical Clerk	FR 4
15	Vacancy	Statistical Clerk	FR 4
16	Janet E. Innocenti	Statistical Clerk	FR 4
17	Audrey L. Litman	Statistical Clerk	FR 4
18	Marguerite L. Renucci	Statistical Clerk	FR 4
19	Concetta M. Nobilio	Clerk Typist	FR 3

1/ Position to be offset by retirement within one year of an Assistant Director in the Division of Bank Operations, as noted in Appendix B of the memorandum to the Board of March 6, 1964, "Reorganization of Banking Statistics Function." The grade of the position will be determined in accordance with the qualifications of the person selected.

2/ Positions established in 1964 Budget.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 13
3/13/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1964.

CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Crosse:

In accordance with the request contained in your letter of March 4, 1964, the Board approves the appointment of William R. Luchtenberg as an examiner, and of Edward J. Siberry, Jr., and Walter W. Zunic as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

It is noted that each is indebted to the bank or banks listed opposite his name, as follows:

William R. Luchtenberg - The Dime Savings Bank of Brooklyn,
Brooklyn, New York (nonmember)

Edward J. Siberry, Jr. - Fidelity Union Trust Company,
Newark, New Jersey (State member)

Walter W. Zunic - Bankers Trust Company, New York, New York
(State member)
First National City Bank, New York, New York

Accordingly, the Board's approval of these appointments is given with the understanding that the individuals will not participate in the examination of any bank to which indebted until such indebtedness has been liquidated.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.