

Minutes for March 25, 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

The image shows handwritten initials and signatures on horizontal lines next to the names of the Board members. The initials for Chm. Martin are 'M'. The initials for Gov. Mills are 'M'. The initials for Gov. Robertson are 'R'. The initials for Gov. Balderston are 'CB'. The initials for Gov. Shepardson are 'S'. The initials for Gov. Mitchell are 'M'. The initials for Gov. Daane are 'D'.

## Minutes of the Board of Governors of the Federal Reserve System

on Wednesday, March 25, 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  
 Mr. Daane

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Bakke, Assistant Secretary  
 Mr. Hackley, General Counsel  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Johnson, Director, Division of Personnel  
 Administration  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. Daniels, Assistant Director, Division of  
 Bank Operations  
 Mr. Kiley, Assistant Director, Division of  
 Bank Operations  
 Mr. Goodman, Assistant Director, Division of  
 Examinations  
 Mr. Smith, Assistant Director, Division of  
 Examinations  
 Mr. Leavitt, Assistant Director, Division of  
 Examinations  
 Mr. Thompson, Assistant Director, Division of  
 Examinations  
 Mr. Doyle, Attorney, Legal Division  
 Mr. Smith, Senior Economist, Division of Research  
 and Statistics  
 Mr. Egertson, Supervisory Review Examiner,  
 Division of Examinations  
 Mr. McClintock, Supervisory Review Examiner,  
 Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Atlanta and Minneapolis on March 23, 1964, of the rates on discounts and advances in their existing schedules was approved unani- mously, with the understanding that appropriate advice would be sent to those Banks.

3/25/64

-2-

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

	<u>Item No.</u>
Letter to Marine Midland Trust Company of Central New York, Syracuse, New York, approving the establishment of a branch in the Valley Plaza Shopping Center.	1
Letter to Chemung Canal Trust Company, Elmira, New York, approving the establishment of a branch in the Village of Big Flats.	2
Letter to Montgomery County Bank and Trust Company, Norristown, Pennsylvania, approving the operation of a limited service branch at Valley Forge Park during the National Jamboree of the Boy Scouts of America, July 10-28, 1964.	3
Letter to Peoples Trust City Bank, Reading, Pennsylvania, approving (1) the establishment of a branch in Exeter Township, and (2) an investment in bank premises.	4
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch on Brewer Island.	5
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Stockton.	6
Letter to Citizens State Bank, Puyallup, Washington, approving the establishment of a branch in the Edgewood Square Shopping Center, Pierce County.	7
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in San Mateo.	8
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in the Del Monte Shopping Center, Monterey.	9

3/25/64

-3-

	<u>Item No.</u>
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Stockton.	10
Letter to Whitmore Company, Inc., Corning, Iowa, granting a determination exempting it from all holding company affiliate requirements except for section 23A of the Federal Reserve Act.	11
Letter to the Federal Reserve Bank of Atlanta approving the appointment of James L. Jones, Jr., as Alternate Assistant Federal Reserve Agent.	12

Application of Hyannis Trust Company (Items 13, 14, and 15).

Pursuant to the decision reached at the meeting on March 13, 1964, there had been distributed a proposed order and statement reflecting approval of the application of Hyannis Trust Company, Hyannis, Massachusetts, to consolidate with Cape Cod Trust Company, Harwichport, Massachusetts, together with a dissenting statement of Governors Robertson, Mitchell, and Daane. 1/

Issuance of the order and statements was authorized, subject to a revision proposed by Governor Mills in the summary and conclusion of the majority statement. Copies of the order and majority statement, as issued, are attached as Items 13 and 14, respectively; a copy of the dissenting statement is attached as Item No. 15.

Messrs. Doyle, McClintock, and Egertson then withdrew from the meeting.

Application of First Wisconsin Bankshares Corporation (Items 16 and 17). Pursuant to the decision reached at the meeting on March 6, 1964,

1/ The banks would consolidate under the charter of Hyannis Trust Company and with the title Cape Cod Bank and Trust Company.

3/25/64

-4-

there had been distributed a proposed order and statement reflecting approval of the application of First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, for permission to acquire 80 per cent or more of the voting shares of Brookfield National Bank, Brookfield, Wisconsin, a proposed new bank.

After discussion, issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 16 and 17, respectively.

Mr. Thompson then withdrew from the meeting and Mr. Furth, Adviser, Division of International Finance, entered the room.

Proposal of Banco do Brasil to establish a branch in New York City. There had been distributed a memorandum dated March 19, 1964, from Mr. Goodman regarding conversations he had had with Vice President Crosse of the Federal Reserve Bank of New York and others concerning the proposed establishment of a New York City branch by Banco do Brasil. The New York State Banking Department had, as is customary in such cases, solicited the views of the Reserve Bank. While it was contemplated that the State authorities would be advised that the Bank had no objection to establishment of the branch, it was felt the Board should be informed of this fact before the advice was communicated.

The memorandum also pointed out that the Reserve Bank was on record with the State Banking Department as being opposed to the establishment of branches of foreign central banks in New York City, and that

3/25/64

-5-

in this connection Mr. Furth had expressed some reservations about the pending proposal since Banco do Brasil had certain characteristics of a central bank in addition to its commercial banking functions. On the other hand, it was noted that the situation in Brazil was delicate from the standpoint of the operation there of branches of United States banks, and that the situation might be further complicated if Banco do Brasil's application were to be denied.

In commenting on the memorandum, Mr. Goodman recalled that arrangements for presentation of the branch proposal to the State Banking Department by a delegation from Brazil had been made through the Federal Reserve Bank of New York, and that the presentation of the application in this way had been preceded by a meeting in February 1964 between members of the Brazilian delegation and representatives of the U. S. Department of State and the Board.

At Mr. Goodman's suggestion, Mr. Furth also commented on the proposal. He pointed out that while Banco do Brasil was the largest commercial bank in Brazil, it also served in some respects as a central bank. He alluded to the Superintendency of Money and Credit (SUMOC), which had been established in 1945 to exercise control over the money market and to prepare for the organization of a central bank, and commented that little progress had been made in the direction of creating a genuine central bank in the country and that in the interim a number of the traditional central bank functions were being performed by Banco do Brasil as agent of SUMOC. This fact, coupled with the absence of

3/25/64

-6-

adequate means to enforce Banco do Brasil's representation that the proposed New York City branch would engage only in commercial banking activities, might engender some concern over the proposal, but a "gentlemen's agreement" on this latter point could prove adequate.

Governor Mitchell expressed the thought that the logical reason for Banco do Brasil's proposal would appear to be the commercial banking advantages that would be gained by having a New York City branch, and Governor Daane observed that even apart from this he would be concerned about the repercussions of a denial of the proposal.

Governor Robertson asked what objection was seen to having a branch of one country's central bank located in another country, and Mr. Furth replied that it was mainly a matter of tradition, presumably based on the fact that countries were reluctant to have foreign governmental functions carried out in their sovereign territory.

Governor Mills observed that in his view this was an important consideration of precedent bearing upon the pending application. If Banco do Brasil were to establish a branch in New York, the result could be the diversion to the branch of operations now carried out through the Federal Reserve Bank of New York, thus lessening the quantity of information available to the Reserve Bank.

Mr. Goodman acknowledged this possibility but indicated that from all available information such a possibility was remote. In this connection, he referred to a letter written to Banco do Brasil in 1951

3/25/64

-7-

by Mr. Sproul, then President of the Federal Reserve Bank of New York, when the question of a branch in New York City first was raised, setting forth certain suggested conditions that might be made applicable to the activities of such a branch. According to Mr. Goodman, these conditions, which were essentially in the nature of assurances that only commercial banking functions would be engaged in by the branch, apparently were expressive of the role now envisioned for the proposed branch. However, Mr. Lang, Adviser to the Federal Reserve Bank, had recommended against resurrection of these express conditions in connection with the pending application.

Governor Robertson expressed the belief that any objection to Banco do Brasil's pending proposal would be inadvisable. Although the situations were not strictly comparable, he could foresee the need for the Federal Reserve to have an office in Europe at some time for the purpose of maintaining closer liaison with European central banks.

After further discussion, Chairman Martin observed that he could see little valid basis for expressing objection, and it was thereupon agreed that the Federal Reserve Bank of New York would be advised informally that the Board was in accord with the Bank's proposal to advise the New York State Banking Department of its lack of objection.

Secretary's Note: Following the meeting, Mr. Goodman telephoned Mr. Crosse to advise him of the Board's view.

During the course of the foregoing discussion Mr. Hexter, Assistant General Counsel, entered the room, and at the conclusion thereof Mr. Furth withdrew from the meeting.

3/25/64

-8-

Release to the public of reports on competitive factors. There had been distributed a memorandum dated March 19, 1964, prepared jointly by the Legal and Examinations Divisions, relating to a staff proposal that reports on competitive factors in bank merger cases prepared by or submitted to the Board pursuant to section 18(c) of the Federal Deposit Insurance Act be released to the public in the following manner:

(1) Upon receipt of reports to the Board on competitive factors from each of the three other agencies with respect to a merger application, copies be forwarded by the Board promptly to the applicant and be supplied to anyone on request; and

(2) Following the mailing of reports by the Board on competitive factors in connection with merger applications pending before either of the other two banking agencies, the Board supply copies of such reports to anyone on request.

This proposal had initially been made in a joint memorandum to the Board from these Divisions dated February 4, 1964, and had been discussed at the Board meeting on February 17, at which time the Board's staff had been directed to ascertain informally the reactions of the staffs of the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Department of Justice to such a plan and to bring the proposal back to the Board for further consideration.

Mr. Shay commented that informal discussions with staff personnel of the Federal Deposit Insurance Corporation and the Justice Department revealed a generally favorable reaction to the proposal. Personnel in the Office of the Comptroller indicated that the Comptroller had recently ceased the practice of making public reports on competitive factors.

3/25/64

-9-

Mr. Shay further stated that while the Legal and Examinations Divisions were still of the view that the proposal had merit, the recent establishment of an inter-agency committee on bank merger matters might suggest the desirability of deferring action until the views of the committee could be ascertained.

Chairman Martin expressed the thought that discussion of the subject within the inter-agency committee would be desirable, and suggested that the Board's representatives on the committee present the question for consideration. Accordingly, it was agreed that a decision on the staff proposal for making competitive factor reports public would be held in abeyance.

Messrs. Goodman, Shay, and Smith (Senior Economist) then withdrew from the meeting.

Report on draft legislation relating to destruction of Federal Reserve notes (Item No. 18). There had been distributed a memorandum dated March 24, 1964, from Messrs. Hackley and Bakke, with attached draft report to the Bureau of the Budget, regarding certain draft legislation submitted to the Bureau of the Budget by the Treasury Department that would (1) provide for the destruction of unfit Federal Reserve notes under procedures and at locations designated by the Secretary of the Treasury, and permit allocation of credit for destroyed notes among the Reserve Banks as determined by the Board; (2) transfer the duties and functions now performed by the Comptroller of the Currency in regard to

3/25/64

-10-

Federal Reserve notes to the Secretary of the Treasury; and (3) repeal the requirement that the System maintain a gold redemption fund on deposit with the Treasury Department.

Mr. Hexter stated that the Board's staff had worked closely with the staff of the Treasury Department in drafting this legislation, the primary motivation for which was a desire to mitigate the expense that would be involved in destruction of \$1 Federal Reserve notes unfit for further circulation. The proposed legislation would provide, in effect, that unfit Federal Reserve notes need not be sorted, for credit purposes, according to the particular Reserve Banks that had issued them and then forwarded to Washington for destruction by the Treasury Department. Instead, the Reserve Banks would be allowed to destroy unfit notes themselves, and credit for these notes would be allocated among the Reserve Banks on a formula basis, thereby greatly reducing the cost of handling and shipping.

Following discussion of a textual change recommended by the staff, Governor Daane suggested that it would seem desirable that the draft report to the Budget Bureau put greater emphasis upon the cost-saving aspects of the proposed legislation, and it was agreed that this would be done.

There ensued discussion concerning the effects of the provision in the draft legislation that would eliminate the gold redemption fund maintained by the Reserve Banks with the Treasury Department and of the

3/25/64

-11-

provision allowing unfit Federal Reserve notes destroyed at the Reserve Banks no longer to be sorted according to Bank of issue. It was noted that the principle of individual Bank reserves against note liabilities would be preserved by virtue of the fact that, notwithstanding elimination of a sort of unfit notes by Bank of issue, there would continue to be an allocation of credit to each Bank on a formula basis. Governor Mills observed that the proposed procedures had been considered by the Conference of Presidents and had met with a favorable reaction.

The letter to the Budget Bureau on the draft legislation was then approved unanimously, subject to the changes suggested at this meeting. A copy of the letter, as transmitted, is attached to these minutes as Item No. 18.

Advantages of System membership (Items 19 and 20). There had been distributed a proposed reply from Chairman Martin to Mr. Malcolm S. Ruth, Chairman of the Board of Peoples Trust City Bank, Reading, Pennsylvania, who had written a letter to the Board under date of March 2, 1964, in which he suggested expansion of services to member banks of the Federal Reserve System and cited certain aspects of membership in the System that tended to place member banks at a competitive disadvantage with nonmember banks.

There had also been distributed a copy of a letter dated March 18, 1964, from Mr. Walter E. Hoadley, Chairman of the Board of the Federal Reserve Bank of Philadelphia, in which it was reported that Mr. Ruth's

3/25/64

-12-

letter had been the subject of extended discussion at a meeting of the Board of Directors, and that the directors viewed with concern the trend of thinking on the part of member banks in regard to the value of System membership.

In discussion of the proposed letter to Mr. Ruth, Governor Mills noted that it endorsed the recommendation in the April 1963 report to the President by the Committee on Financial Institutions for a uniform system of graduated reserves against demand deposits, and that the statement was phrased in a manner suggesting Board support for the proposal. He inquired whether the Board was prepared to express such a view at this time. In his opinion the proposal had not been thought through sufficiently by the Board to evaluate its impact and ramifications.

Although some of the members of the Board indicated that they would feel prepared to support the Committee's recommendation, it was agreed that no statement of position on that point was necessary in the reply to Mr. Ruth.

Governor Robertson then suggested that it would be desirable, in the letter to Mr. Ruth, to stress the importance of the central banking function, and the importance of the commercial banks assuming their share of the responsibility and burden.

Mr. Solomon suggested, for this purpose, that it might be desirable to include with the letter a copy of the memorandum sent recently to Congressman Rains, for transmission to a constituent in his discretion,

3/25/64

-13-

that discussed in some detail the advantages and responsibilities of membership in the System.

Governor Daane stated that he felt this would be a good idea, since his reaction to the draft letter to Mr. Ruth was that it had not convincingly spelled out the advantages of membership other than the "backstop" value in time of stress.

Chairman Martin expressed accord with the suggestion, and it was understood that the letter to Mr. Ruth would be revised accordingly.

Mr. Sherman noted that the Board no doubt also wished to acknowledge the letter from Chairman Hoadley, and it was agreed that it would be desirable to enclose with such reply copies of the letter to Mr. Ruth and the memorandum originally prepared for Congressman Rains.

Transmittal of letters to Messrs. Ruth and Hoadley in line with the foregoing discussion was then approved unanimously. Copies of these letters, as sent, are attached to these minutes as Items 19 and 20, respectively.

Messrs. O'Connell and Leavitt then withdrew from the meeting.

Examination of Atlanta Reserve Bank. There had been circulated to the Board the report of examination of the Federal Reserve Bank of Atlanta made by the Board's examining staff as of January 3, 1964. The usual accompanying memoranda also had been circulated, and a summary memorandum from the Division of Examinations dated March 19, 1964, had been distributed.

3/25/64

-14-

During a review of the examination findings by Mr. Smith, Governor Mills commented that the summary memorandum suggested a degree of resistance on the part of the Reserve Bank to certain recommendations made by Peat, Marwick, Mitchell & Co. following a review of the Bank's audit procedures in May 1963, in particular those recommendations addressed to use of sampling techniques.

Mr. Smith replied that he believed in time there would be a natural evolution in the direction of less detailed verification in the audit procedures of the Reserve Banks and resort to greater use of testing and sampling methods. He commented further that it had been rather traditional for those responsible for the audit function to proceed cautiously, but he recognized that advances in the state of the art should be taken into account.

Governor Robertson inquired whether the Board, through its staff, was exercising leadership in this regard, to which Mr. Smith replied that it was planned to discuss the matter at the biennial Conference of General Auditors to be held in 1965. Governor Robertson expressed the belief that the initiative should be taken more promptly. Mr. Solomon observed that the consultation of some Reserve Banks with outside auditing firms such as Peat, Marwick, Mitchell & Co. had been an outgrowth of the leadership exerted by the Board in suggesting re-evaluation of the audit function. An educational process was involved, and the Board might not want to press for moving in the direction of drastically simplified procedures too quickly.

3/25/64

-15-

In this connection, Governor Mills commented that there had been some uncertainty in his mind about the manner in which sampling techniques would be applied, but it was now clear to him from comments by Haskins & Sells that the samples selected during the internal audits of the Reserve Banks and those chosen for review by the Board's examiners would be different; the Board's examiners would not be duplicating the samples taken by the Reserve Banks' auditors.

Governor Robertson observed that there might be a degree of resistance to change on the part of those responsible for the audit function. If follow-up on the recommendations of the independent auditors who had studied Reserve Bank procedures was deferred until the next scheduled Conference of General Auditors, a great deal of momentum would be lost. In his opinion, the exercising of leadership in encouraging the Reserve Banks to accept modified practices called for prompt attention.

Mr. Smith noted that in considering the question of changes in practices of the Reserve Bank auditors, the attitude of Reserve Bank management was an important factor; for example, there might be a strong desire at some Bank to be as certain as possible that any and all errors would be spotted.

Governor Mitchell observed that the question was one of balancing the element of maximum assurance against the cost involved; isolated errors would be difficult to uncover without a 100 per cent audit check, but the

3/25/64

-16-

primary objective of auditing should be to pick up systematic defalcations, and Haskins & Sells had expressed the opinion that this could be accomplished satisfactorily through the use of sampling techniques.

Governor Shepardson expressed agreement with Governor Robertson's thinking that the Board should exert leadership in encouraging the Reserve Banks to accept greater use of sampling for internal audits, and other members of the Board concurred. Governor Mills suggested that one step in this direction might be to transmit to the Reserve Banks, to give them some insight into current thinking on sampling techniques, pertinent portions of the recent report to the Board by Haskins & Sells on procedures followed by the Board's examining staff in examinations of the Federal Reserve Banks.

The possibility also was mentioned of convening a special meeting of the General Auditors to discuss this subject. There was general accord that this would be desirable, and it was understood that arrangements for such a conference would be considered.

Mr. Smith then continued with his comments on the Atlanta examination, and it was agreed that there were no other matters disclosed by the examination that required action by the Board at this time.

Member bank borrowing. The Atlanta examination report had cited three member banks in the Sixth District as having engaged in frequent borrowing from the Reserve Bank in the period since the previous examination.

3/25/64

-17-

Governor Mitchell stated that this led him to comment that he was becoming increasingly concerned about two questions relative to member bank borrowing. First, there was the criticism of academicians that the discount window of the Reserve Banks was not used frequently enough. Many people seemed to feel that this was an instrument that could be used as a vehicle for the more effective use of funds and that this possibility was being ignored in the System's administration of the discount window. At the same time, he was also concerned by indications that member banks in some Districts where agricultural credit was in short supply used the discount window for sustained periods in violation of the Board's Regulation A, Advances and Discounts by Federal Reserve Banks, while other banks in similar areas did not use the window at all. There seemed to be a number of member banks that used Federal Reserve credit for as long as half a year at a time to obtain funds to meet seasonal requirements. He suggested that consideration might be given to the possibility of amending Regulation A to allow the Reserve Banks to make loans to member banks for rather extended periods to accommodate seasonal needs for funds as a normal practice. In his view, this could have significant value as an advantage of membership in the System, particularly from the standpoint of rural banks. It might, however, require the fixing of two discount rates, one for longer term use of the discount window.

Governor Mills noted that Governor Mitchell's suggestion raised an important question that should be analyzed carefully. The issue had

3/25/64

-18-

been raised repeatedly by bankers associations in Kansas and Nebraska, occasioned by the fact that as the size of farms and farming operations had grown there had been a corresponding increase in credit requirements. Some member banks would like to turn to the discount window as a source of funds to meet credit demands in excess of those that could be met out of deposits generated in the local area. This raised the question, however, whether the member banks' lending capacity should be augmented through the discount window to finance what were essentially capital transactions. One problem was the absence of branch banking.

Governor Daane then suggested that it would seem desirable to ask Mr. Holland, Associate Director, Division of Research and Statistics, to submit a memorandum to the Board concerning the ramifications of the questions raised by Governors Mitchell and Mills, and it was agreed unanimously that he be requested to do so. Governor Robertson added that the subject might also be appropriate for consideration at a meeting of the Reserve Bank discount officers.

The meeting then adjourned.

Secretary's Notes: With the approval of Governor Shepardson, the Secretary of the Presidents' Conference was advised by letter dated March 24, 1964, that the Board approved the continued service of designated members of its staff as associates of various subcommittees of the Conference.

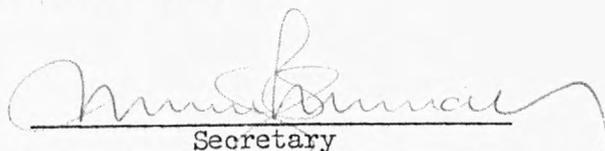
Governor Shepardson approved on behalf of the Board on March 24, 1964, the request contained in a memorandum from Mary Elizabeth Mehall, Statistical Clerk in the Division of Research and Statistics, for permission to work part time at a local drug store.

3/25/64

-19-

Pursuant to the recommendation contained in a memorandum from the Secretary of the Board, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Carol M. Karstetter, Secretary in the Office of the Secretary, effective at the close of business March 27, 1964.

Governor Shepardson today noted on behalf of the Board a memorandum from the Division of Administrative Services advising that Herbert W. Young, Building Superintendent in that Division, had made application for retirement, effective at the close of business March 31, 1964.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964

Board of Directors,  
Marine Midland Trust Company of  
Central New York,  
Syracuse, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in Valley Plaza Shopping Center, 4141 South Salina Street, Syracuse, Onondaga County, New York, by Marine Midland Trust Company of Central New York, 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. 2  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964



Board of Directors,  
Chemung Canal Trust Company,  
Elmira, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at the northeast corner of Canal and Maple Streets, Village of Big Flats, Chemung County, New York, by Chemung Canal Trust Company, 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  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964



Board of Directors,  
Montgomery County Bank  
and Trust Company,  
Norristown, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the operation of a limited service branch by Montgomery County Bank and Trust Company at Valley Forge Park, Montgomery County, Pennsylvania, during the period of the National Jamboree of the Boy Scouts of America from July 10 through July 28, 1964.

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. 4  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964

Board of Directors,  
Peoples Trust City Bank,  
Reading, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Peoples Trust City Bank on U. S. Highway 422, approximately one and one-half miles southeast of the Borough of Mt. Penn and adjacent to the Village of Reiffton, in Exeter Township, Berks County, Pennsylvania, provided the branch is established within one year from the date of this letter. The Board also approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of \$152,000 in bank premises by Peoples Trust City Bank to purchase land and to construct quarters for the new branch.

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 25, D. C.

Item No. 5  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 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 in the vicinity of the central business district in Foster City on Brewer Island, San Mateo County, California, provided the branch is established within 18 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. 6  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 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 in the vicinity of the intersection of Pacific Avenue and Hammer Lane, Stockton, 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

WASHINGTON, D. C. 20551

Item No. 7  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964

Board of Directors,  
Citizens State Bank,  
Puyallup, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Citizens State Bank in the Edgewood Square Shopping Center in the vicinity of the intersection of North Meridian Street and Milton-Jovita Highway, Pierce County, Washington, 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. 8  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 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 in the vicinity of the northwest corner of the intersection of 19th Avenue and Bayshore Freeway, San Mateo, 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

WASHINGTON, D. C. 20551

Item No. 9  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 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 in the Del Monte Shopping Center on Old Capitol Site on Carmel Hill, Monterey, 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  
WASHINGTON 25, D. C.

Item No. 10  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964

Board of Directors,  
United California Bank,  
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank in the vicinity of the southeast corner of the intersection of Pacific and Yokut Avenues, Stockton, 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

WASHINGTON, D. C. 20551

Item No. 11  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964

Mr. Floyd F. Whitmore, President,  
Whitmore Company, Inc.,  
Corning, Iowa.

Dear Mr. Whitmore:

This refers to the request submitted through the Federal Reserve Bank of Chicago for a determination by the Board of Governors of the Federal Reserve System as to the status of Whitmore Company, Inc., as a holding company affiliate.

From the information presented, the Board understands that Whitmore Company, Inc., is engaged in operating 760 acres of farm land and a general insurance agency, and is a sizable feeder of cattle and hogs; that it is a holding company affiliate by reason of the fact that it owns or controls 1,200 (96 per cent) of the 1,250 outstanding shares of stock of The Okey-Vernon National Bank of Corning, Corning, Iowa; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Whitmore Company, Inc., is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns or controls.



Mr. Floyd F. Whitmore

-2-

If, however, the facts should at any time indicate that Whitmore Company, Inc., might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

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. 12  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964

Mr. Jack Tarver, Chairman,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia. 30303.

Dear Mr. Tarver:

In accordance with the request contained in your letter of March 12, 1964, the Board of Governors approves the appointment of Mr. James L. Jones, Jr. as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta to succeed Mr. Eric B. Hingst.

This approval is given with the understanding that Mr. Jones 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 Alternate Assistant Federal Reserve Agent, Mr. Jones may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Jones 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.

Please have Mr. Jones execute the usual Oath of Office which should be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 13  
3/25/64

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----

In the Matter of the Application of  
 HYANNIS TRUST COMPANY  
 for approval of consolidation with  
 Cape Cod Trust Company

-----

## ORDER APPROVING CONSOLIDATION 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 Hyannis Trust Company, Hyannis, Massachusetts, a State member bank of the Federal Reserve System, for the Board's prior approval of the consolidation of that bank and Cape Cod Trust Company, Harwichport, Massachusetts, a State nonmember insured bank, under the charter of the former and with the title of Cape Cod Bank and Trust Company. As an incident to the consolidation, the main office and branch of Cape Cod Trust Company would be operated as a branch of Cape Cod Bank and Trust Company. Notice of the proposed consolidation, 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, and the Department of Justice on the competitive factors involved in the proposed consolidation,

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 consolidation 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 25th day of March, 1964.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson,  
Mitchell, and Daane.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 14  
3/25/64

APPLICATION OF HYANNIS TRUST COMPANY  
FOR APPROVAL OF CONSOLIDATION WITH  
CAPE COD TRUST COMPANY

STATEMENT

Hyannis Trust Company, Hyannis, Massachusetts ("Hyannis Trust"), a State member bank of the Federal Reserve System, with deposits of \$13.3 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 consolidation of that bank and Cape Cod Trust Company, Harwichport, Massachusetts ("Cape Cod Trust"), with deposits of \$9.2 million as of the same date. The banks would consolidate under the charter of Hyannis Trust and the title of Cape Cod Bank and Trust Company. As an incident to the consolidation, the present main office and branch of Cape Cod Trust would become branches of the resulting bank, increasing to five the number of offices (including one seasonal branch) operated under the charter of Hyannis Trust. In addition, Hyannis 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 Deposit Insurance Act), (6) the convenience and needs of the communities 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. - The financial history and condition, the capital structure, the earnings prospects, and the management of Hyannis Trust appear satisfactory. The same is true of Cape Cod Trust, except that the capital structure of the resulting bank would represent a substantial improvement over the present capital structure of Cape Cod Trust.

The resulting bank would have a sound financial condition, an adequate capital structure, favorable earnings prospects, and greater depth of management than presently available to either Hyannis Trust or Cape Cod Trust.

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

Convenience and needs of the communities. - The head office and seasonal branch of Hyannis Trust are located at Hyannis, Massachusetts,

about 70 miles southeast of Boston in the popular resort area of Cape Cod. Its other branch is six miles southwest of Hyannis at Osterville. Both communities are also serviced by offices of other commercial banks, as well as by mutual savings banks and cooperative banks. The permanent population of the Hyannis Trust service area\* is estimated at about 19,000, with a summer population exceeding 50,000.

The head office of Cape Cod Trust is at Harwichport (1960 population: 3,700), 13 miles east of Hyannis. Its sole branch is 15 miles further to the northeast at Orleans. These communities are served by mutual savings and cooperative banks and offices of other commercial banks are reasonably accessible to residents of the communities. The service area of Cape Cod Trust does not significantly overlap that of Hyannis Trust.

The substantially increased loan limits of the resulting bank would provide an alternative source of credit for the larger Cape Cod businesses, such as the fast growing construction industry, which are now forced on occasion to rely upon local mutual savings banks or upon commercial banks outside Cape Cod for needed funds to finance the expanding local economy. Moreover, the larger resulting bank would be able to operate a greatly improved trust department that would be of considerable benefit to individuals for whom adequate trust service

---

\* The area from which the bank acquires 75 per cent or more of its deposits of individuals, partnerships, and corporations ("IPC deposits").

is not now locally available. The resulting bank would also be able to provide installment loan service on an expanded scale.

Competition. - Present competition between Hyannis Trust and Cape Cod Trust is not significant. After the establishment by Hyannis Trust of a proposed branch in South Yarmouth, the nearest office of Cape Cod Trust would be its main office nine miles to the east, and three offices of three commercial banks would separate it from the South Yarmouth branch. While it is to be expected that some potential competition would be eliminated thereby, consummation of the consolidation would enable a local commercial bank to compete more effectively with larger mutual savings and cooperative banks and Boston commercial banks.

The proposal would unite the first and third largest of the six commercial banks in the combined service areas of the participating banks. The resulting bank would hold about 45 per cent of the IPC deposits in commercial banks located in its service area. In the circumstances of this case the particularly competitive operations of mutual savings banks substantially reduce the importance of such a percentage figure. If savings bank deposits are taken into account, the resulting bank would hold only about 17 per cent of bank deposits in its service area. This figure would be reduced further if cognizance were also taken of share accounts in local cooperative banks.

Summary and conclusion. - The increased lending limits and expanded services, including trust administration, which could be made

available by the resulting bank would benefit the communities served. No significant existing or foreseeable competition would be eliminated. The resulting bank would be able to compete more effectively with the large local mutual savings and cooperative banks, and also with outside commercial banks already serving the Cape Cod area, without adversely altering the general competitive situation of financial institutions in the area.

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

March 25, 1964.

DISSENTING STATEMENT OF GOVERNORS ROBERTSON, MITCHELL, AND DAANE

The positive factors cited by the majority in support of approval of the application in this case are not impressive. There is no showing of significant present needs for the increased lending limit and expanded trust and other services. Any needs not met by the participating banks can be accommodated at adequate banking facilities in Boston or elsewhere at nearer sources. The Cape Cod area is not a "credit deficit area". The asserted need for strengthening the capital structure of the smaller of the two sound and well managed banks adds nothing of consequence in support of the application.

On the other hand, significant potential and some present competition will be foreclosed by the consolidation. Furthermore, the very substantial increase in the present dominance of Hyannis Trust - which, after the consolidation, will be more than twice as large as the next largest bank in the combined area - will inevitably disrupt the relatively favorable competitive balance that now prevails among the commercial banks in the area. We are not convinced that the adverse competitive aspects are sufficiently mitigated by the limited competition from the mutual savings banks and cooperative banks operating in the area.

On balance, we find nothing in the record of this case which justifies approval in the face of the foregoing adverse competitive considerations.

We would deny the application.

March 25, 1964.

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

-----  
In the Matter of the Application of  
FIRST WISCONSIN BANKSHARES CORPORATION  
for approval of the acquisition of voting  
shares of Brookfield National Bank,  
Brookfield, Wisconsin, a proposed new bank.  
-----

ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There has 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)), an application on behalf of First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, a registered bank holding company, for the Board's approval of the acquisition of 80 per cent or more of the 3,000 voting shares of the Brookfield National Bank, Brookfield, Wisconsin, a proposed new bank.

As required by section 3(b) of the Act, notice of receipt of the application was given to the Comptroller of the Currency with a request for his views and recommendation. The Comptroller recommended approval of the application. Notice of receipt of the application was

published in the Federal Register on January 4, 1964 (29 Federal Register 117), 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 application be and hereby is 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 25th 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)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 17  
3/25/64

APPLICATION BY FIRST WISCONSIN BANKSHARES CORPORATION  
FOR APPROVAL OF THE ACQUISITION OF VOTING SHARES OF  
BROOKFIELD NATIONAL BANK

STATEMENT

First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin ("Applicant"), a registered bank holding company, has applied to the Board of Governors, under the Bank Holding Company Act of 1956 ("the Act"), for permission to acquire 80 per cent or more of the 3,000 shares of common stock to be issued of the Brookfield National Bank, Brookfield, Wisconsin ("Brookfield National" or "Bank"), a proposed new bank.

Views and recommendation of supervisory authority. - As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application and requested his views thereon. The Comptroller recommended approval of the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company 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.

Applicant has engaged in the ownership and control of banking institutions since its organization in 1929. It presently owns seven banks and a trust company, all located in the State of Wisconsin. Three of the seven banks and the trust company are located in Milwaukee County; the remaining four banks are located in Eau Claire (Eau Claire County), Fond du Lac (Fond du Lac County), Madison (Dane County), and Oshkosh (Winnebago County). Applicant's largest banking subsidiary, First Wisconsin National Bank, Milwaukee, held at June 29, 1963,<sup>1/</sup> \$702 million of total deposits, representing approximately 77 per cent of the \$915 million of total deposits held by all of Applicant's banks.

The permanent site of the proposed Brookfield National Bank will be in the City of Brookfield, Waukesha County, in a shopping center proposed to be developed by Sears, Roebuck and Co., on a 136-acre site located approximately nine miles west of downtown Milwaukee. Bank will open for business in temporary quarters near the site of the shopping center.

Financial history, condition, and prospects of Applicant and Bank. - Applicant's financial history and condition are considered to be satisfactory. On the basis of its nearly 35 years' operational history and the sound financial condition of its subsidiary banks, including a consideration of the deposit growth of these banks, Applicant's prospects

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

appear favorable. The Board finds that Bank's prospects are satisfactory. This determination is based, in part, upon the favorable financial history and condition both of the Applicant and its existing subsidiary banks, as well as upon the following facts. Bank, when permanently located, will be the only bank in the large shopping center to which reference was earlier made. Bank's designated primary service area (the area from which approximately 75 per cent of Bank's deposits of individuals, partnerships, and corporations will be derived), hereafter described, has had substantial population growth since 1950 and there is reason to believe that the area will continue to experience such growth. Bank's deposits, projected by Applicant to the end of each of Bank's first three years of operation, are estimated to be \$2.1 million, \$3.6 million, and \$4.7 million, successively. On the basis of Bank's proposed location and the projected growth of its primary service area, the foregoing projections appear reasonable and Bank's prospects favorable.

Character of management. - Applicant's directorate consists of 34 members, 25 of whom are officers and/or directors of Applicant's banking and trust company subsidiaries. Similarly, Applicant's officers, with few exceptions, are also officers of at least one of Applicant's banking and trust company subsidiaries. The financial history and condition of Applicant and its subsidiaries, heretofore discussed, support the conclusion that the management of Applicant and its banking and trust company subsidiaries is satisfactory. Bank's management will be drawn initially from personnel of Applicant's Milwaukee area subsidiaries. Each of the five proposed directors of Bank is presently a director and/or

officer of one or more of Applicant's Milwaukee subsidiaries. The Board concludes that the character of Bank's management will be satisfactory.

Convenience, needs, and welfare of the communities and area concerned. - Bank's primary service area, as designated by Applicant, extends over an area of slightly more than 20 square miles in Waukesha County and lies generally between the cities of Waukesha and Milwaukee. Bank's proposed site is some seven miles east of Waukesha and about nine miles west of Milwaukee. The character of Bank's primary service area is essentially residential. In the past 12 years the area's population has increased from approximately 3,500 to 15,000. Waukesha County has experienced the most rapid growth of any county in the State, its population having increased 84 per cent in the previous ten years.

A major portion of the wage earners residing in the area that Bank will primarily serve commute to places of employment in other sections of the Milwaukee Metropolitan Area (Milwaukee and Waukesha Counties). Driving time from the area to both Waukesha, the industrial center of Waukesha County, and to Milwaukee, the industrial and financial center of the State, has been reduced to but a few minutes by the recent opening of Interstate Expressway 94 which bisects Waukesha County in an east-west direction. Two other major thoroughfares facilitate east-west traffic through the County. Applicant's prediction of continued residential development of the Brookfield area appears reasonable in view of the highway development contributing to relatively prompt access to the large centers of employment to the east and west.

Although, as indicated, Bank's primary service area is predominantly residential in character, it also contains four small industries, numerous commercial establishments, professional offices, and other retail and service establishments. By early 1966, the now limited commercial character of this area will experience substantial expansion through the construction and occupancy of the proposed shopping center to be developed in the area by Sears, Roebuck and Co. Present plans call for occupancy by about 60 business establishments.

At the present time there are no banking offices located in Bank's primary service area. However, within a five-mile radius of Bank's proposed site there are six banking offices, one of which, Mayfair National Bank, Wauwatosa, is a subsidiary of Applicant. The closest banking office to the proposed site is the Elm Grove office of Wauwatosa State Bank located in the Village of Elm Grove, 1.6 miles from Bank's proposed site. A portion of Elm Grove is included within Bank's primary service area, as are portions of the City of Brookfield and portions of the City of New Berlin. Brookfield, with an estimated population at January 1963 of 23,000, has two banking offices, the Elm-Brook State Bank and the Brookfield Office of the Waukesha County Marine Bank. The three remaining banks within the above-mentioned five-mile radius which derive some business from Bank's primary service area are Applicant's bank in Wauwatosa, the New Berlin State Bank, New Berlin, and the Central Bank, West Allis, located, respectively, about five, four, and six road miles from Bank's proposed site.

It is Applicant's position that its acquisition of Bank, resulting in the immediate availability of a wide spectrum of banking services, would respond to a presently unserved demand from within Bank's primary service area for certain of these services. While Bank's operation at this time would, in respect to certain of Bank's potential customers, constitute a more convenient banking facility than is now available, the existence of six banking offices within distances from approximately one and one-half to six road miles from Bank's proposed site precludes a finding as to any significant unserved demand for banking services of a nature usually required by a predominantly residential community.

However, in regard to the future needs and convenience of the residents and businesses within Bank's primary service area, Applicant has established a stronger case for approval of its acquisition of Bank. Completion of the proposed shopping center in which Bank will be permanently located will give impetus to substantially increased commercial activity within Bank's primary service area. Establishment of some 60 enterprises in the shopping center will create a need for banking services of a volume and type presently not required in the area, and for a banking facility more conveniently located than are any of the banks now serving the area. It is apparent from the documentation supporting this application that the developers of the shopping center consider important to the development the presence of a banking facility. Should this application be denied, the proposed Bank would not open for business, and there is no indication that any other interests are prepared to undertake the establishment of a bank at or near Bank's proposed site.

In view of the need for banking services which likely will accompany the opening of the proposed shopping center, and assuming the continued residential expansion predicted in and near Bank's primary service area, the Board concludes that the convenience, needs, and welfare of the area weigh toward approval of Applicant's proposal.

Effect on adequate and sound banking, public interest, and banking competition. - The principal market area in relation to which the Board must determine the probable effects of Applicant's proposal generally encompasses that portion of Waukesha County constituting Bank's designated primary service area and contiguous portions of the cities of Brookfield, West Allis, and New Berlin and the Village of Elm Grove. Consideration must be given also to any impact that may reasonably be anticipated on the Waukesha and Milwaukee banks nearest to and apparently serving the area concerned.

Applicant has no bank in Waukesha County. Its banks at Eau Claire, Fond du Lac, Madison, and Oshkosh derive but a negligible portion of their total business from the Milwaukee area. Applicant's Milwaukee County banks, although controlling a substantial portion of the total offices and deposits of all banks in the Milwaukee Metropolitan Area, derive relatively little of their total business from Bank's designated primary service area. These banks, operating 16 offices, held combined total deposits of \$719.6 million, \$702 million of which were held by First Wisconsin National Bank. A total of \$461,000 of deposits and \$1.4 million of loans were derived by Applicant's

Milwaukee area banks from Bank's proposed primary service area. A substantial portion of the last mentioned business undoubtedly consists of convenience accounts placed with the Milwaukee banks, principally First Wisconsin National Bank, by depositors and borrowers who have their places of business or work in Milwaukee. If Bank is established, it undoubtedly would attract a portion of the latter accounts as a more convenient source of deposit and service.

The degree to which banking offices and bank deposits in the Milwaukee area are concentrated in the Applicant's group of banks has previously been the subject of concern to this Board, and is a significant factor in the present case. Applicant's Milwaukee area banks held 36.5 per cent of the total deposits of all banks in the Milwaukee Metropolitan Area. However, within Bank's primary service area, Applicant's system is not presently a dominant operating force, and it does not appear that its competitive strength in that area, to be reflected in its operation of Bank, will be so enhanced by that operation as to constitute a force inimical to adequate and sound banking, the public interest, or banking competition. This conclusion is premised upon the fact that Applicant would be acquiring a newly established bank rather than a going concern with numerous well-established accounts; that Bank's business, rather than being comprised principally of accounts captured from other area banks, will be derived principally from the shopping center in which it will be located, and from residents new to the area, many of whom will have no previously established bank connections in Bank's area; and that the banking offices that are currently competing in varying degrees for the

business within Bank's primary service area should not experience undue adverse competitive effects from Bank's operation.

As to the effect of Bank's establishment on the banking offices now serving the area principally concerned, the office most directly to be affected by Applicant's proposal will be the Elm Grove office of the Wauwatosa State Bank, 1.6 miles from Bank's proposed site. The Wauwatosa State Bank's total deposits are about \$35 million. At June 30, 1962, the Elm Grove office held \$3.4 million. Even assuming that the proposed Bank would make use of the full line of services that Applicant asserts will be available to it, a fact not easily assumed, there is little likelihood that the service and growth potential of an office of a \$35 million bank will be unduly impeded. As to the remaining banks or banking offices that are serving Bank's primary service area and are located some three to six miles from Bank's proposed site, with the exception of Mayfair National Bank each is closer to a section of Bank's primary service area than Bank will be. On the basis of all the circumstances presented, the Board perceives no significant adverse effect on these banking offices from Applicant's acquisition and operation of Bank.

Viewing Applicant's proposal in the context of its direct effect on the inhabitants of the area primarily to be served by Bank, as well as on the banks now serving that area, approval of the proposal appears warranted. However, there remains the question as to whether, in view of the extent to which the banking offices and bank deposits in the Milwaukee Metropolitan Area are now concentrated in the banks controlled

by Applicant, even the relatively small increase in concentration that would follow from the acquisition of Bank can be said to be consistent with the public interest and the preservation of banking competition. In the Board's judgment, such increase, albeit slight, is a fact adverse to approval of the application. However, a more decisive consideration, in the opinion of the Board, is the extent to which the future needs and convenience of the area involved will be served by Applicant's acquisition of Bank. This result outweighs to a sufficient degree the adverse consideration noted as to warrant approval of the application.

Conclusion. - Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c) thereof, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the application should be approved.

March 25, 1964.

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

Item No. 18  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 25, 1964.



Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington, D. C. 20503

Dear Mr. Hughes:

In response to the request of your office for views on the Treasury Department's draft bill "To authorize revised procedures for the destruction of unfit Federal Reserve notes, and for other purposes," the Board wishes to express its unqualified support thereof.

Members of the Board's staff worked closely with representatives of the Treasury Department in developing the draft bill, and the Board is of the opinion that it is entirely satisfactory in all material respects.

Particularly in regard to the revised procedures for destruction of unfit Federal Reserve notes, the need for this legislation is becoming increasingly critical. The issuance of \$1 Federal Reserve notes, authorized by P. L. 88-36 of June 4, 1963, commenced late last year, and since that time the Federal Reserve Banks have been accumulating and storing unfit notes of this denomination in anticipation of destruction procedures such as are contemplated in the draft bill and the economies to be realized incident thereto. As the volume of these \$1 notes in circulation has increased, there has been a corresponding increase in the accumulation of those which are returned to the Reserve Banks in a condition rendering them unfit for further circulation.

Within a few weeks or months the volume of such unfit currency accumulated at the Reserve Banks will become considerable, and destruction in accordance with the plan contemplated under the authority contained in the proposed legislation should begin promptly. Adoption of this plan would permit annual savings of many hundreds of thousands of dollars in handling and shipping expenses by making it unnecessary to sort unfit \$1 Federal Reserve notes according to Bank of issue and then forward them to Washington for destruction.

Mr. Phillip S. Hughes

-2-

Accordingly, in view of the substantial economies to be realized, it is the Board's hope that the draft bill will be introduced and enacted into law as expeditiously as possible.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 19  
3/25/64

OFFICE OF THE CHAIRMAN

March 26, 1964.



Mr. Malcolm S. Ruth,  
Chairman of the Board,  
Peoples Trust City Bank,  
Reading, Pennsylvania.

Dear Mr. Ruth:

The Board has given a great deal of thought to your frank letter of March 2, 1964, regarding membership in the Federal Reserve System.

You are quite right in pointing out that membership in the Federal Reserve System, at least under present statutes, involves certain burdens that apply to nonmember banks only in lesser degree, if at all. The principal burden is the requirement that member banks maintain specified percentages of their deposits as reserves and that these reserves be in the form of deposits at the Reserve Bank or vault cash. Depending on the law of the particular State, a nonmember bank may be able to maintain reserves in smaller amount, in less expensive form, or both. It is also true that many of the benefits of the Federal Reserve System accrue to the banking system in general, and to the entire nation, and not merely to banks that are members of the System.

I know that you are well aware of benefits that accompany membership in the System. These may not be as readily apparent or as easily appraised as are some of the burdens, particularly the burden of maintaining required reserves, and for that reason may not always be accorded as much weight as they deserve. For example, the privilege of having access to credit at the Federal Reserve Bank may be likened to a form of insurance -- and of a kind not truly available from any other source.

This insurance has the valuable feature of imparting strength over and above the amount of credit that actually is obtained under it from the Reserve Bank at any particular time. More specifically, the availability of the credit to meet contingencies that may arise can permit an effective use of a bank's capital and resources that would not otherwise be appropriate. Similarly, the bank's access to this ultimate source of credit can provide assurance to the bank's customers, and thus increase the attractiveness of the bank's services.

As a prudent and experienced banker you will, I am sure, not lightly dismiss the value of such protection to both your bank and its customers. I hope you will not consider it presumptuous, however, for me to suggest that in a long period of prosperity, such as we have been enjoying, there may be a tendency to underestimate the worth of such a safeguard. It would seem to me that this could be especially unfortunate in the case of a bank, such as yours, which has assets of more than \$100 million and therefore might not always be able to have the needs of the bank and its customers readily met elsewhere in time of stringency.

Since you point out that you have a local competitor about twice your size that is not a member of the Federal Reserve System, I believe you will want to weigh very carefully whether discontinuance of your Federal Reserve membership would not reduce your ability to compete. I would suggest for your consideration that if the value of membership is suitably appraised, it may be seen as a significant competitive benefit that can outweigh its more readily apparent burdens.

In my statement before the House Banking and Currency Committee that was published at p. 148 of the February, 1964 Federal Reserve Bulletin, and to which you referred, I urged Congressional action on proposals the Board has advanced for simplifying the laws regarding extension of credit by Reserve Banks to member banks. These simplifications would further increase the usefulness of these credit facilities.

These changes would require legislation. So would changes in reserve requirements along the lines recommended in Chapter II of the April, 1963 Report of the President's Committee on Financial Institutions. (For convenient reference, I am enclosing an excerpt from that chapter as well as a copy of the full report.) In the meantime, the System is thoroughly canvassing the possibilities of increasing its usefulness within existing legislation. But whatever it may be possible to accomplish with or without legislation, I am convinced that a bank, particularly of your size, would sacrifice extremely important advantages if it gave up membership in the System. I am enclosing a copy of a memorandum prepared in January, 1964 on "Advantages in Federal Reserve Membership" that you may find of interest.

On behalf of the Board and myself, I want to thank you for your frankness, for the opportunity to share with you our thoughts on the subject, and for the careful consideration that you are devoting to this serious question before reaching a decision. I hope that I may have been able to be of some assistance in your deliberations, and that the benefits of membership in the System will appeal to you as being of such value as to deserve continuation of your forty years of association with the System.

Sincerely yours,



Wm. McC. Martin, Jr.

Enclosures

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 20  
3/25/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 26, 1964.



Mr. Walter E. Hoadley, Chairman,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania 19101.

Dear Mr. Hoadley:

Your letter of March 18, 1964, commenting on a letter from Mr. Ruth, Chairman, Peoples Trust City Bank, Reading, Pennsylvania, and on the general subject of membership in the Federal Reserve System was brought to the attention of the Board in connection with the Board's consideration of an appropriate response to Mr. Ruth.

The Board shares your concern over the present trend of thinking among a growing number of member banks in regard to the matter of membership in the Federal Reserve System. Likewise, the Board concurs in your suggestion that positive steps should be taken to arrest this trend.

In this connection, the Board is transmitting copies of Mr. Ruth's letter and Chairman Martin's reply to the presidents of all Reserve Banks requesting their thoughtful attention to the issues therein discussed and soliciting their ideas for remedial action in this area.

Also, there is attached to Chairman Martin's letter, a copy of which is enclosed for your information, a reproduction of comments made by the Board in January of this year concerning a letter similar to Mr. Ruth's. It is hoped that the points discussed in this memorandum may be helpful to the Reserve Banks in dealing with questions concerning advantages of continued System membership.

Very truly yours,

(Signed) Merritt Sherman,

Merritt Sherman,  
Secretary.

Enclosure