

Minutes for March 27, 1964

To: Members of the Board

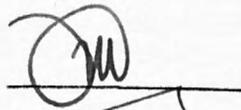
From: Office of the Secretary

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

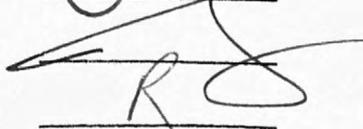
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

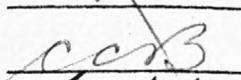
Chm. Martin



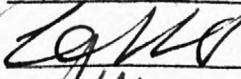
Gov. Mills



Gov. Robertson



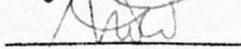
Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Friday, March 27, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Shepardson
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research
and Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Partee, Adviser, Division of Research
and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Spencer, General 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. Baker, Economist, Division of International
Finance

Money market review. Mr. Axilrod reported on developments in the Government securities market, Mr. Koch summarized credit developments, and Mr. Baker reviewed recent foreign exchange market developments. Distributed material referred to during those reports included data on the

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money supply, monetary developments in the four-week period ended March 25, 1964, and selected monetary indicators.

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

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Miss Hart, Senior Attorney, Legal Division
Mr. Hricko, Senior Attorney, Legal Division
Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Kansas City, and Dallas on March 26, 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.

Reports on competitive factors (Reading-Pottsville-Mahanoy City, Pennsylvania). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Schuylkill Trust Company, Pottsville, Pennsylvania, into Berks County Trust Company, Reading, Pennsylvania. Also distributed was a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Union National Bank of Mahanoy City, Mahanoy City,

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Pennsylvania, into The Pennsylvania National Bank and Trust Company of Pottsville, Pottsville, Pennsylvania.

The conclusion in the draft of report to the Federal Deposit Insurance Corporation read as follows:

There is only minor competition presently existing between Berks County Trust Company and The Schuylkill Trust Company as the market areas served by the two banks are fairly distinct. While consummation of this proposal would expand only slightly the size of the largest bank in Berks County, it would permit that bank to expand its operations into adjoining Schuylkill County, thereby subjecting the remaining banks in the Pottsville area to the competitive capabilities of a substantially larger institution.

The conclusion in the draft of report to the Comptroller of the Currency read:

Consummation of the proposed merger of The Union National Bank of Mahanoy City and The Pennsylvania National Bank and Trust Company of Pottsville would eliminate only minor competition existing between the two banks but would expose the remaining bank in Mahanoy City to the competitive capabilities of a substantially larger institution.

During consideration of the two reports, discussion focused on the economic characteristics of the areas involved, the effect that creation of larger banking institutions might have upon the economic growth of the communities, and the competitive impact of the proposed mergers on the smaller banks in the areas concerned. Consideration was also given to the similarities and dissimilarities of the two cases. Members of the Board felt that distinctions could be drawn, principally because of the larger size of Berks County Trust Company and the

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extension of its offices, through the proposed merger, into a third county. Governor Mills, while agreeing with the view that the Berks County merger seemed likely to have a more severe competitive impact, felt that the competitive implications of the Pottsville-Mahanoy City merger also warranted a more specific adverse conclusion than indicated by the draft report, particularly because of the disparity in size of the resulting bank and the local banks in the areas where it would compete for business.

At the conclusion of discussion, certain changes in the wording of the conclusions of the two reports to reflect a tendency toward adverse competitive effects were agreed upon, after which the reports were approved unanimously.

The conclusion in the report to the Federal Deposit Insurance Corporation, in the form approved for transmittal, read as follows:

There is only minor competition presently existing between Berks County Trust Company and The Schuylkill Trust Company as the market areas served by the two banks are fairly distinct. While consummation of this proposal would expand only slightly the size of the largest bank in Berks County, it would permit that bank to expand its operations into adjoining Schuylkill County, thereby subjecting the remaining banks in the Pottsville area to the competitive capabilities of a considerably larger institution which would tend to have an adverse effect on competition.

The conclusion in the report to the Comptroller of the Currency, in the form approved for transmittal, read as follows:

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Consummation of the proposed merger of The Union National Bank of Mahanoy City and The Pennsylvania National Bank and Trust Company of Pottsville would eliminate only minor competition existing between the two banks but would expose the remaining bank in Mahanoy City to the competitive capabilities of a substantially larger institution. The increased concentration resulting from this merger might tend to be adverse.

Report on competitive factors (Bay City-Linwood, Michigan).

There was approved unanimously for transmittal to the Comptroller of the Currency a report on the competitive factors involved in the proposed merger of The State Bank of Linwood, Linwood, Michigan, into Peoples National Bank & Trust Company of Bay City, Bay City, Michigan.

The conclusion in the report read as follows:

The proposed merger of State Bank of Linwood into Peoples National Bank, Bay City, would eliminate only a nominal amount of competition existing between the two banks. The proposal would, however, concentrate further banking offices and resources in a bank which is, by far, the largest in its service area. The effect of the proposal on competition would be adverse.

Messrs. Hricko and McClintock then withdrew from the meeting.

Question under section 32. There had been distributed a memorandum from the Legal Division dated March 24, 1964, that discussed the question whether section 32 of the Banking Act of 1933 would prohibit the interlocking service of Mr. Robert W. Winthrop as a director of First National City Bank of New York and as a partner in the firm of Wood Struthers & Winthrop, New York City.

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Following a brief discussion, it was agreed that this matter would be held over for consideration at a time when more members of the Board were available.

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

Foreign travel by Messrs. Sammons and Nettles. Governor Shepardson stated that Mr. Young, Adviser to the Board and Director, Division of International Finance, had recommended in a memorandum dated March 26, 1964, that Mr. Sammons, Adviser in the Division of International Finance, and Mr. Nettles, Economist in that Division, be authorized to travel to Antigua, Guatemala, to attend a forthcoming conference of heads of central banks of the American Continent in the capacity of assistants to Chairman Martin and Governor Mitchell. The duration of travel would be from approximately April 18 to April 22, 1964, and per diem in lieu of expenses would be paid in accordance with the standardized Government travel regulations.

The recommendation contained in Mr. Young's memorandum was approved unanimously.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of New York (attached Item No. 1) approving the appointment of Lawrence E. Danley and Thomas A. Wolek as assistant examiners.

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Letter to the Federal Reserve Bank of Richmond (attached Item No. 2) approving the reappointment of James B. Campbell and R. Bruce Valley as assistant examiners.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 3) approving the designation of four employees as special assistant examiners.

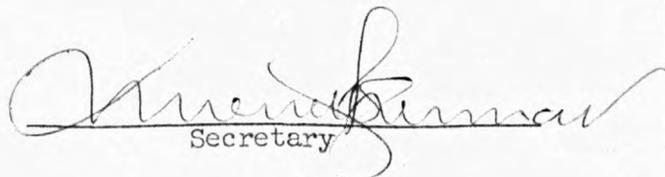
Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Salary increases, effective March 29, 1964

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Eleanor S. Frase, Senior Economist		\$16,695	\$17,210
Mary H. B. Hillard, Statistical Assistant		5,760	5,935
Paul F. McGouldrick, Economist		10,310	10,640
<u>International Finance</u>			
Henry N. Goldstein, Economist		10,640	10,970
Lois Orr, Secretary (change in title from Clerk-Stenographer)		4,355	4,690
<u>Examinations</u>			
Edward W. Healey, Assistant Federal Reserve Examiner		6,575	6,770
Cyril J. Bowman, Assistant Federal Reserve Examiner		8,180	8,410
<u>Administrative Services</u>			
Clifton N. Johnson, Messenger		3,305	3,410
Helen M. Capozio, Publications Assistant		6,965	7,160
Helen M. Lasko, Cafeteria Helper		3,305	3,410
<u>Data Processing</u>			
Charles M. Wrenn, Digital Computer Systems Operator		4,850	5,235

Acceptance of resignation

John J. Mattras, General Assistant, Office of the Secretary, effective April 18, 1964.


Secretary

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Item No. 1
3/27/64

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 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 23, 1964, the Board approves the appointment of Lawrence E. Danley and Thomas A. Wolek as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

It is noted that Mr. Danley is indebted to National Newark & Essex Bank, Newark, New Jersey, and The National State Bank of Newark, Newark, New Jersey and that Mr. Wolek is indebted to First National City Bank, New York, New York. Accordingly, the Board's approval of each of these appointments is given with the understanding that the individual will not participate in any examination of the bank to which he is indebted until such indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
3/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1964

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained in your letter of March 24, 1964, the Board approves the reappointment of James B. Campbell and R. Bruce Valley as assistant examiners for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Valley is indebted to The Bank of Russell County, Cleveland, Virginia, a State member bank. Accordingly, the Board's approval of the reappointment of Mr. Valley is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 3
3/27/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1964



Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained in your letter of March 23, 1964, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks.

Arthur V. Myers, Jr.
Jimmie R. Monhollon
Aubrey N. Snellings

The Board also approves the designation of Richard S. Wallace as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except Citizens Bank of Darlington, Darlington, South Carolina.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.