Minutes for April 15, 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
Discount rates. The establishment without change by the Federal Reserve Bank of Boston on April 13, 1964, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:
Letter to Girard Trust Bank, Philadelphia, Pennsylvania, approving the establishment of a branch in the Huntington Valley Shopping Center, Abington Township.

Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 290 Broadway, branch operations conducted at 100 Park Row to be discontinued simultaneously with the establishment of the new branch.

Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in the Almaden Village Shopping Center, San Jose.

Letter to International Bank of Commerce, Seattle, Washington, approving an extension of time to establish a branch in Hong Kong.

Letter to Worthen Bank & Trust Company, Little Rock, Arkansas, approving an extension of time to establish a branch (teller’s window) at Capitol Avenue and Ringo Street.


Letter to First State Bank of King City, Missouri, King City, Missouri, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

Letter to First State Bank, Monahans, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

Letter to Bank of Gassaway, Gassaway, West Virginia, approving an investment in bank premises.

Letter to National Bank of Oak Cliff in Dallas, Dallas, Texas, granting its request for permission to maintain reduced reserves.
Letter to Liberty National Bank of Dallas, Dallas, Texas, granting its request for permission to maintain reduced reserves.

Letter to the Federal Reserve Bank of Chicago regarding the status of Michigan National Bank, Lansing, Michigan, as a bank holding company.

With respect to Item No. 12, there was a general discussion of the facts relating to the question whether Michigan National Bank was a bank holding company as defined in the Bank Holding Company Act of 1956. On the basis of the available information, as described, there was general agreement with the position stated in the draft of letter to the Federal Reserve Bank of Chicago that had been distributed to the Board. However, certain minor changes of wording were agreed upon in the interest of clarification and looking to the possible uses of the letter by President Scanlon.

At this point Messrs. Goodman and Conkling withdrew from the meeting.

Report on competitive factors (Rollinsford-Somersworth, New Hampshire). There was approved unanimously for transmittal to the Comptroller of the Currency a report on the competitive factors involved in the proposed merger of Salmon Falls Bank, Rollinsford, New Hampshire, into The First National Bank of Somersworth, Somersworth, New Hampshire. The conclusion of the report read as follows:
The proposed merger of Salmon Falls Bank, Rollinsford, into The First National Bank of Somersworth would eliminate only moderate competition which exists between the merging banks and would combine the area's two smallest commercial banks, thereby improving the ability of the resulting bank to compete with the larger area banks. The over-all competitive effect of the merger would not be adverse.

Report on competitive factors (Camden-Cherry Hill Township, New Jersey). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Cherry Hill National Bank, Cherry Hill Township, New Jersey, into First Camden National Bank and Trust Company, Camden, New Jersey. The conclusion of the report, as drafted, read as follows:

Because of the close relationship of First Camden National Bank and Trust Company with Cherry Hill National Bank, competition between them is insignificant. In view of this and the presence of numerous offices of large competing banks in Camden County and in nearby Philadelphia, the over-all effects of the proposal would not be significantly adverse.

During discussion, Governor Robertson noted that competition between First Camden and Cherry Hill National was negligible because of the close relationship that existed between the two banks. Cherry Hill National had been organized at the instigation of First Camden interests because the latter bank was prohibited by New Jersey State law from establishing a de novo branch due to the existence of an office of another bank in Cherry Hill Township. If ownership and management should change at Cherry Hill National, however, competition could develop between the two institutions. The potential for
competition that would be eliminated in this case was a matter that he felt should be recognized in the report.

Governor Mills, on the other hand, believed that the effect of the merger in the present circumstances was of more importance, and that the Board's report should be submitted in that light. Camden was directly across the river from Philadelphia, and there was strong competition from that city's banking institutions. Insofar as potential competition between the two banks in this case was concerned, the likelihood of competition developing seemed remote. It would be appropriate, he thought, to say that the over-all competitive effects of the proposed merger would not be of much consequence.

After further discussion of the circumstances involved, agreement was expressed with certain suggested changes in the wording of the conclusion of the report. The report was then approved for transmittal to the Comptroller with the conclusion reading as follows, it being noted that Governor Robertson was joined by Governor Mitchell in disagreement with the manner in which the conclusion was stated:

Because of the close relationship of First Camden National Bank and Trust Company with Cherry Hill National Bank which results from common ownership, present competition between them is negligible. In view of this and the presence of numerous offices of large competing banks in Camden County and in nearby Philadelphia, the over-all competitive effects of the proposal would not be of much consequence.

Report on competitive factors (Charleston-Graniteville, South Carolina). There had been distributed a draft of report to the Comptroller
of the Currency on the competitive factors involved in the proposed
merger of Carolina Bank, Graniteville, South Carolina, into The Citizens
and Southern National Bank of South Carolina, Charleston, South Carolina.

Governor Mitchell indicated that he felt the conclusion of the
report as drafted conveyed the impression that an extension of services
over a broader area of South Carolina by Citizens and Southern National
Bank would be undesirable and not in the public interest. However,
Citizens was not yet too large an institution. If it developed further,
this might be more helpful from the standpoint of the State's economy
than the continued existence of small banks such as those in Aiken
County, which should not be protected against competition from a larger
bank. He did not think that at this point there was a sufficient con-
centration of banking resources in the State to be concerned unduly.

During further discussion, Governor Robertson expressed the
view that the report's conclusion should indicate, as the draft suggested,
that the Board was aware a trend was developing in South Carolina toward
State-wide concentration of banking resources in the hands of a few banks.

There was a consensus favoring this approach, but certain changes
in the wording of the conclusion were agreed upon. The report was then
approved for transmittal to the Comptroller in a form containing the
following conclusion, Governor Mitchell's reservations having been noted:

There is no competition between The Citizens and
Southern National Bank of South Carolina and Carolina
Bank. While the proposed merger would not significantly
alter Citizens' competitive capabilities in the areas in
which it currently operates, nor alter its position in relation to other banks in the State, it would expand its geographical coverage into another county and is one further step toward concentration of banking resources in South Carolina.

Messrs. Hricko and Egertson then withdrew from the meeting.

Processing of bank merger applications (Item No. 13). Pursuant to the understanding at the meeting of the Board on April 8, 1964, there had been distributed with a covering memorandum dated April 10, 1964, from the Legal Division a revised draft of letter to Chairman Fascell of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations on the processing of bank merger applications. The proposed answer to the Subcommittee's first question had been rewritten, but no other change had been made in the text of the letter. However, one of the listings that was to be enclosed with the letter no longer made reference to the competitive factor report of June 17, 1963, from the Board to the Comptroller of the Currency in the Crocker-Citizens (California) bank merger case since it had been ascertained that it was not the view of the Board members who approved the report that the report was to be regarded as definitely adverse.

In a discussion of the revised draft of letter, Governor Mitchell suggested, for reasons stated, deletion of certain material from the answer to the question whether the Board had any suggestions for improving procedures in connection with the processing of merger applications. Several editorial changes, in addition to the change suggested by Governor Mitchell, were also agreed upon, and the reply was approved unanimously.
on that basis for transmittal to Chairman Fasce. A copy of the letter, as sent, is attached as Item No. 13.

Messrs. Hexter, Shay, and McClintock then withdrew from the meeting.

Reserve Bank building operating costs (Items 14 and 15). There had been distributed a report dated April 6, 1964, from the Division of Bank Operations with regard to a series of surveys covering the cost of operating the head office buildings of the Federal Reserve Banks. The surveys were made by the representatives of the Division of Bank Operations at various times during the year 1963.

During a lengthy discussion, it was noted that the variation in costs and quality of services in connection with the operation of Federal Reserve Bank buildings reflected management decisions among other factors. A matter of judgment was involved as to what constituted adequate housekeeping standards. Further, some Reserve Bank buildings were older than others. Also, not all buildings were of the same type of construction, some being easier to maintain than others.

Question was raised whether to send the report on the surveys to the Reserve Banks, it being suggested that the report should be of interest from the standpoint of showing the variation in costs of operating the Bank buildings throughout the System. For this reason the report might prompt a Reserve Bank to re-examine its present housekeeping practices in the light of experience of other Banks. Developments could be kept under review.
At the same time, a feeling was expressed by members of the Board that further consideration should be given by the Board's staff to the possibility of establishing better bases of cost comparisons despite the complications that admittedly were involved. It was also suggested, particularly by Governor Mitchell, that the staff go further into the area of developing judgments as to whether the housekeeping practices of the several Reserve Banks were adequate, excessive, or inadequate, and the relationship to cost factors.

As discussion concluded, agreement was expressed with a suggestion that the report on the surveys of the cost of operating head office buildings be submitted not only to the Reserve Banks but to the auditing firm of Haskins & Sells, with a view to receiving any recommendations or suggestions of the firm on the adequacy and effectiveness of the staff memorandum. After such review was made, it could be decided whether to request representatives of that firm to accompany members of the Board's Division of Bank Operations on field surveys.

A copy of the letter sent to the Federal Reserve Banks transmitting the memorandum on the surveys is attached as Item No. 14. A copy of the letter sent to Haskins & Sells is attached as Item No. 15.

The meeting then adjourned.

Secretary's Notes: On April 14, 1964, Governor Shepardson approved on behalf of the Board the following items:

Letter to Evert F. Nowak, Washington, D. C., stating that the Board would pay him the sum of $450 to program a Treasury study of commercial banks' bad debt reserves for tax purposes.
Memorandum from the Division of Administrative Services recommending the appointment of Carol A. Lindeman as Mailing List Clerk-Flexowriter Operator in that Division, with basic annual salary at the rate of $3,620, effective the date of entrance upon duty.

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

Memorandum dated April 13, 1964, from Mr. Young, Adviser to the Board and Director, Division of International Finance, recommending an extension until May 31, 1964, of the reimbursable detail to the Bureau of the Budget of John E. Reynolds of the Division of International Finance to enable him to continue his assignment as Staff Director for the Review Committee for Balance of Payments Statistics.

Memoranda from the Division of Personnel Administration recommending the appointment of Colleen M. Lindsay, Diane Salisbury, and Brenda Sullivan as Clerk-Stenographers in that Division, each with basic annual salary at the rate of $3,880, effective the respective dates of entrance upon duty.
Board of Directors,
Girard Trust Bank,

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Girard Trust Bank in the Huntingdon Valley Shopping Center, Huntingdon Pike below Rockledge Avenue, Abington Township, Montgomery County, Pennsylvania, 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 Directors,
Manufacturers Hanover Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 290 Broadway, Borough of Manhattan, New York, New York, by Manufacturers Hanover Trust Company, provided the branch is established within one year from the date of this letter, and provided further that branch operations conducted at 100 Park Row, Borough of Manhattan, New York, New York, are discontinued simultaneously with the establishment of the above 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.)
April 15, 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 Almaden Village Shopping Center at the intersection of Almaden Expressway and Crown Boulevard, San Jose, 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.)
April 15, 1964

International Bank of Commerce, 
Post Office Box 3966, 
Seattle, Washington 98124.

Gentlemen:

Reference is made to your letter of March 18, 1964, transmitted through the Federal Reserve Bank of San Francisco, regarding your inability to establish your Hong Kong Branch by May 10, 1964, as authorized by the Board on February 28, 1963.

It is noted that appropriate quarters for the operation of the branch have been leased, furnished, and equipped; that an initial skeleton staff has been employed and is now in training in Hong Kong; and that the staff is engaged in preparing forms, establishing procedures, and making acquaintances preparatory to opening for business. However, it is understood that the Governor of the Colony of Hong Kong has suspended applications for banking licenses until enactment of the new Hong Kong Banking Code which was to be re-introduced in the Legislative Council in March.

In the circumstances and on the basis of the information furnished, the Board of Governors extends to May 10, 1965, the time within which your Corporation may establish a branch in the Colony of Hong Kong.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke, 
Assistant Secretary.
April 15, 1964

Board of Directors,
Worthen Bank & Trust Company,
Little Rock, Arkansas.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to May 10, 1965, the time within which Worthen Bank & Trust Company may establish an in-town branch (teller's window) on the northeast corner of Capitol Avenue (West Fifth Street) and Ringo Street.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Ellis:

This refers to your letter of March 30, 1964, regarding the penalties totaling $3,361.88 incurred by the Second National Bank of New Haven, New Haven, Connecticut, on deficiencies in its required reserves for six biweekly periods from October 3, 1963, to January 22, 1964.

It is noted that (1) these deficiencies were discovered in comparing the bank's condition report as of December 20, 1963, with its daily reports of deposits; (2) during the entire period, the bank had been erroneously classifying Federal funds sold as a "Due from Banks" item and Federal funds purchased as a "Due to Banks" item as a result of the ruling of the Comptroller of the Currency that such transactions were not to be treated as loans in the future; (3) subsequent to the December call, when it was noted that the reporting form required separate reporting of Federal funds transactions, and prior to receipt of a request from your Bank for reconciliation of the condition statement and the daily reports, the bank decided to discontinue the incorrect accounting procedure; (4) the bank has had an excellent record in maintaining its reserve balances and, it is believed, was acting in good faith in changing its accounting procedures; and (5) any one of the six penalties can be waived by the Reserve Bank under the provision of Paragraph E of the Board's instructions (S-1123; FRIS #6120) and your Bank feels that the circumstances warrant your waiving the first of the penalties on that basis.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalties totaling $2,952.24 for the reserve computation periods ended October 30, November 13, and December 25, 1963, and January 8 and January 22, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
First State Bank of King City, Missouri,
King City, Missouri.

Gentlemen:

The Federal Reserve Bank of Kansas City has forwarded to the Board of Governors two letters, one dated March 12, 1964, and the other dated March 26, 1964, both of which are signed by President Fred G. Howitt, and resolution dated January 21, 1964, signifying your intention to withdraw from membership in the Federal Reserve System.

Although permission to withdraw from membership prior to the expiration of six months was not requested, the Board notes that your bank wishes to accomplish withdrawal as soon as possible. Accordingly, the Board of Governors waives the requirement of six-months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Kansas City of the Federal Reserve stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Kansas City.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Appendix A

Item No. 8
4/15/64

April 15, 1964

Board of Directors,
First State Bank,
Monahans, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors two letters, one dated March 12, 1964, and the other dated March 23, 1964, both of which are signed by President Willard Paine, and resolution dated March 10, 1964, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six-months' notice of such withdrawal.

The Board of Governors waives the requirement of six-months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Dallas.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Board of Directors,
Bank of Gassaway,
Gassaway, West Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 21A of the Federal Reserve Act, an investment of $10,000 in bank premises by Bank of Gassaway, Gassaway, West Virginia, for renovation of banking quarters. This investment is in addition to an investment of $143,000 approved by the Board on May 22, 1963.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Board of Directors,
National Bank of
Oak Cliff in Dallas,
Dallas, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the National Bank of Oak Cliff in Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Governors
of the
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D.C.

Item No. 11
4/15/64

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 15, 1964

Board of Directors,
Liberty National Bank
of Dallas,
Dallas, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Liberty National Bank of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman.
Secretary.
Mr. Charles J. Scanlon, President,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois. 60690

Dear Mr. Scanlon:

Recent correspondence and conferences have presented the question whether Michigan National Bank, Lansing, Michigan, is a "bank holding company", as that term is defined in the Bank Holding Company Act of 1956. The contention has been advanced that Michigan National Bank controls the Employees Profit-Sharing Trusts of both Michigan National Bank and Michigan Bank, N.A., of Detroit, and that the two Trusts, taken together, own more than 25 per cent of the stock of several banks. Section 2(a)(1) of the Bank Holding Company Act defines "bank holding company" to include a company "which directly or indirectly owns, controls, or holds with power to vote, 25 per centum or more of the voting shares of each of two or more banks".

The Board of Governors has been advised that, contrary to the contention referred to above, the two Trusts do not own, control, or hold with power to vote, 25 per centum or more of the voting shares of two or more banks. Consequently, Michigan National Bank would not be a bank holding company under the above-quoted statutory provision, even if it were established that Michigan National Bank indirectly controls all of the bank stock that is owned by the two Trusts.

Needless to say, if your Bank receives information that indicates a substantial possibility that Michigan National Bank is a "bank holding company" as defined in the Act, the Board of Governors would pass upon the applicability of that statute.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.
The Honorable Dante B. Fascell, Chairman,  
Legal and Monetary Affairs Subcommittee  
of the Committee on Government Operations,  
House of Representatives,  
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reply to your letter of March 12, 1964, in which you presented five questions relating principally to the activities of this Board under the Bank Merger Act of 1960. Your Subcommittee's inquiry of April 1, 1963, concerning the operations of the Federal banking agencies and the Department of Justice in the processing of applications under the Act was the subject of the Board's reply of May 1, 1963, to which you referred in your letter of March 12.

You indicate that the request for the additional information sought by the five questions in your letter of March 12 is prompted by the decision of the Supreme Court of the United States in the Philadelphia National Bank case, 374 U.S. 321, decided June 17, 1963. Your questions and the Board's answers are as follows:

Question 1. - Have your agency's procedures in connection with bank merger applications changed since that decision? If so, please detail such changes. If changes are not deemed necessary, please explain.

There has been no change in the Board's procedures in connection with the processing of merger applications since the 1963 decision of the Supreme Court in the Philadelphia National Bank case, cited above.

The legislative history of the Bank Merger Act recognized specifically that the measure "would not affect in any way the applicability of the antitrust laws to bank mergers (S. Rept. No. 186, April 17, 1959, p. 3; H. Rept. No. 1416, March 23, 1960, p. 9). In the Philadelphia National Bank case, and also the Lexington Bank case decided by the Supreme Court April 6, 1964, the antitrust laws clearly were given a greater relevance to competition in banking than the Congress thought they had when the Bank Merger Act was passed in 1960.
However, in marked contrast to the antitrust laws, under the Bank Merger Act the competitive effect is only one factor which is to be weighed along with the other factors, the so-called "banking factors", by the Federal bank supervisory agency having jurisdiction in the case in determining whether a merger should be approved or disapproved. The legislative history of the Act makes it plain that a Federal banking agency would be warranted in approving a merger application even though consummation of the transaction would have an adverse effect on competition where such effect, in the judgment of the banking agency, would be offset by the other factors required by the Act to be considered by the agency. Indeed, the Committee Reports stated that there would be situations in which "approval of the merger would be in the public interest, even though this would result in a substantial lessening of competition". (S. Rept. No. 186, April 17, 1959, pp. 19-24; H. Rept. No. 1416, March 23, 1960, pp. 10-13)

Under the Bank Merger Act, the function of the Attorney General is limited to supplying the bank supervisory agency having jurisdiction over a given merger with an advisory report on the competitive factors involved. This report, and the advisory reports of the other two banking agencies, are to be considered by the banking agency having jurisdiction along with the other information in deciding whether, after weighing all the factors, consummation of the merger would be in the public interest. Unless the bank merger has been approved by the bank supervisory agency concerned, the merger cannot take place, and there would be no basis for action by the Attorney General under the antitrust laws. Where a given merger application is approved, the Board's Rules of Procedure (section 262.2(f)(5)) bar consummation of a merger, except in special situations, until seven days have elapsed after approval by the Board. For convenient reference a copy of the Board's Rules are enclosed.

To the Board's knowledge, no situation has arisen in connection with any merger application processed by the Board since the Philadelphia National Bank case decision by the Supreme Court that has indicated a need for any change in the Board's procedures relative to the functions of the Attorney General and the courts under the antitrust laws.

Question 2. - Have you any suggestions for improving existing procedures for the processing of applications for bank mergers by the banking agencies and the Department of Justice?

The procedures for the processing of applications for bank mergers are detailed to a large extent in the statute itself, and the Board would have no suggestions for major changes in existing procedures. It may be noted that the subject of this question is among those being actively considered by an informal committee, recently established,
which is chaired by the General Counsel of the Treasury Department and on which the Department of Justice, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Board are represented by staff members who work on bank merger cases.

**Question 3.** Since the Philadelphia case decision has your agency approved any bank merger application after receiving an opinion on competitive factors from the Department of Justice or the other banking agencies which was definitely adverse? If so, please furnish specific details including copies of your opinions and the adverse opinions.

Enclosed, marked Schedule A, is a list of the 18 merger applications approved by the Board subsequent to June 17, 1963, the date of the Philadelphia National Bank decision, with respect to which the Board, according to a review of the relevant materials by the Board's staff, received one or more definitely adverse advisory reports on the competitive factors. Copies of the Board's Order and Statement and of the adverse competitive factors report or reports in each instance are attached to the list.

It should be emphasized with respect to this question and also question 4 that the reports on competitive factors provided for in the Bank Merger Act are advisory only. Under the Act, such reports are to be made without regard to the banking factors which the Federal banking agency responsible for passing on the particular merger application must consider in deciding whether to approve or disapprove the application. Thus, an adverse advisory report should not be construed as a recommendation for disapproval of the merger by the reporting agency or agencies.

In both questions 3 and 4 you limited your request to advisory reports which were definitely adverse on the competitive factors involved. You will appreciate, of course, that whether or not a particular advisory report meets that description is a matter of interpretation on which opinions might well differ.

**Question 4.** Since the Philadelphia case decision has any other bank agency approved a bank merger application after you had filed an opinion which was definitely adverse on the competitive factors involved? If so, please furnish specific details, including copies of such opinions.

There is enclosed, marked Schedule B, a list of the 27 merger applications approved subsequent to the date of the Philadelphia National Bank decision, concerning which the Board submitted definitely adverse
advisory reports on the competitive factors. Attached to the list are copies of the competitive factors reports submitted by the Board in each case on the list. As in the case of the answers to question 3, the list is based on a review of the materials in question by the Board's staff.

Question 5. - Please update the statistics contained in the answer to question 10 of your letter of May 1, 1963.

Shown below are current figures on the disposition of merger applications submitted to the Board.

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As of March 15, four merger applications were pending before the Board. The figures shown above do not reflect applications for reconsideration, applications withdrawn, and cases where the proposed merger was disapproved by State authorities.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston,
Vice Chairman.
Dear Sir:

During 1963, representatives of the Division of Bank Operations visited all Reserve Bank head offices to observe and discuss the maintenance and operation of Federal Reserve Bank buildings and to collect data that would be of some significance in evaluating cost variations among the Banks. Enclosed for your information and use is a copy of the report of these visits.

In its consideration of this report, the Board noted that--

(1) Variations in Total Provision of Space cost per square foot were heavily influenced by real estate taxes and other fixed charges.

(2) Personnel costs accounted for about 70 per cent of Total Controllable costs and, as shown by Table 6 on Page 8, varied widely on a cost per square foot basis.

(3) The distribution of provision of Space employees by grade levels differed significantly among the various Banks, as shown by Table 8 on page 10.

(4) Housekeeping Personnel costs--mainly cleaning--appeared to be significantly influenced by policy decisions, as well as by employee productivity as shown by Table 14 on page 16.

(5) Four of the five Banks shown in Table 13 on page 15 as having the lowest Housekeeping cost per square foot either had this work done by outside contractors or had made comprehensive reviews of Housekeeping policies and procedures.
The variations in real estate taxes among the several Reserve Banks suggest that each Bank would wish to ascertain that its taxes were equitable in relation to others in the community. Also, the variations in personnel classifications and costs suggest the possible desirability of comprehensive reviews by individual Banks of Space Maintenance policies and practices. Among the matters considered as part of such a review might be work standards and schedules, and the desirability of discussions with other Banks. The Board recognizes, of course, that any steps in this direction must take into consideration the differing problems existing at the various Banks due to building characteristics and other uncontrollable factors.

Any comments your Bank may care to make concerning this report, including comments as to how undertakings of this kind might be made more helpful, would be appreciated.

Additional copies of the report are available upon request.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.
Gentlemen:

In addition to the arrangement under which your firm will assist the Division of Examinations during the current year, in accordance with the direction of the Board's letter of April 10, 1964, the Board would like to have you review the enclosed staff memorandum relevant to a current survey of Reserve Bank building operating costs. Any criticisms, observations, suggestions, or recommendations that you might deem appropriate as to the effectiveness and adequacy of the staff memorandum from a management auditing standpoint will be appreciated.

Should you have any question as to the extent or scope of this assignment, Mr. Farrell, Director of the Division of Bank Operations, will be glad to be of assistance.

It is understood that the charge to the Board for such service will be based on your regular fee rates.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure