

Minutes for June 26, 1964

To: Members of the Board

From: Office of the Secretary

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

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

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

M

Gov. Mills

R

Gov. Robertson

RCRB

Gov. Balderston

CB

Gov. Shepardson

MS

Gov. Mitchell

MM

Gov. Daane

DD

Minutes of the Board of Governors of the Federal Reserve System on Friday, June 26, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Mitchell  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Brill, Director, Division of Research and Statistics  
Mr. Holland, Associate Director, Division of Research and Statistics  
Mr. Koch, Associate Director, Division of Research and Statistics  
Mr. Williams, Adviser, Division of Research and Statistics  
Mr. Furth, Adviser, Division of International Finance  
Mr. Sammons, Adviser, Division of International Finance  
Mr. Katz, Associate Adviser, Division of International Finance  
Mr. Axilrod, Chief, Government Finance Section, Division of Research and Statistics  
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics  
Mr. Keir, Chief, Capital Markets Section, Division of Research and Statistics  
Mr. Beard, Economist, Division of Research and Statistics  
Mr. Baker, Economist, Division of International Finance

Money market review. Mr. Holland reviewed developments in bank credit and the money supply during June to date. His comments also touched upon the money market and the Government securities market. Mr. Beard discussed changes in the maturity structure of the public debt

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between September 1960 and May 1964 and the implications of these changes regarding future Treasury financing operations. Mr. Baker summarized the situation in foreign exchange markets. Materials distributed to the Board and referred to by the speakers during the course of their remarks included a summary of monetary developments in the four weeks ended June 24, 1964, and a table showing the maturity structure of the publicly held marketable Federal debt. Governor Daane also requested that a copy of Mr. Beard's remarks be prepared for each member of the Board and for possible distribution to interested persons on the Treasury Department staff.

All of the members of the staff who had been present except Messrs. Sherman, Bakke, and Brill then withdrew from the meeting and the following entered the room:

Mr. Connell, Controller  
Mr. Hexter, Assistant General Counsel  
Mr. Conkling, Assistant Director, Division of Bank  
Operations  
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  
Mr. Egertson, Supervisory Review Examiner, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on June 24, 1964, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, St. Louis, and Dallas on June 25, 1964, of the rates on discounts and advances in their

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existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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 Irving Trust Company, New York, New York, approving an investment in bank premises.	1
Letter to The Provident Bank, Cincinnati, Ohio, approving the establishment of a branch at Springdale Road and Colerain Avenue in Colerain Township, Hamilton County.	2
Letter to New Jersey Bank and Trust Company, Clifton, New Jersey, granting a further extension of time to comply with a condition of membership.	3
Letter to Tennessee Bank and Trust Company, Houston, Texas, approving its application for membership in the Federal Reserve System; letter to the Federal Reserve Bank of Dallas with regard to compliance by Tennessee Bank and Trust Company with certain regulations and statutes.	4-5
Letter to the Federal Reserve Bank of Atlanta approving the appointment of Robert M. Stephenson as Vice President in charge of Bank Examinations and the payment of salary to Mr. Stephenson and three other officers at rates fixed by the Bank's Board of Directors.	6

Report on competitive factors (Greenville-West Middlesex, Pennsylvania). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of West Middlesex, West Middlesex, Pennsylvania, into First National Bank of Mercer County, Greenville, Pennsylvania.

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Governor Mitchell observed that while he had no comment to make regarding the proposed conclusion, he wondered why there had been no reference in the body of the report to banks in Youngstown, Ohio. In his view, one of the factors in the merger proposals emanating from this area of Pennsylvania was the desire of the absorbing banks to strengthen their competitive position on the periphery of Youngstown. To ignore the availability of banks in that city as an alternative source of service, particularly for business customers, seemed to him to leave the discussion of competitive factors incomplete. He added that this same consideration might apply equally to competition offered by banks in other nearby Ohio towns. Mr. Egertson commented that the Federal Reserve Bank of Philadelphia had stated in its memorandum on the application that Youngstown and the other locations referred to by Governor Mitchell were not considered to be in the service area of the banks involved in the proposed merger, and it was for this reason the report did not include reference to such municipalities.

The report was thereupon approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

There is presently little competition between First National Bank of Mercer County and The First National Bank of West Middlesex due to the close relationship which has existed between the two banks for several years. Consummation of the transaction would, however, eliminate forever any potential for competition between these banks.

Mr. Egertson then withdrew from the meeting and Mr. Johnson, Director, Division of Personnel Administration, entered the room.

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Reprint of Board answers to Commission on Money and Credit.

There had been distributed a memorandum from Mr. Brill dated June 23, 1964, advising that a paperback reprint of Board responses to questions posed by the Commission on Money and Credit, submitted in 1961, could be obtained from the publishers, Prentice-Hall, Inc., at a price of \$1.75 per copy for a 1,000-copy lot. It was also stated that while 1,000 copies would probably be more than the Board itself could use, the Reserve Banks might want to participate in the order, and permission was requested to inquire concerning their interest in doing so. The memorandum noted that no provision for the expenditure involved had been made in the 1964 Research budget.

In discussion, Governor Mitchell observed that certain of the Board's responses had been rendered obsolete by the passage of time, but that on balance it would be desirable to have the material on hand.

Chairman Martin expressed accord with this view. In response to a question from Chairman Martin, Mr. Brill commented that it would not be feasible to invest the staff time necessary to bring the obsolete portions up to date.

Governor Daane then stated that it would be helpful to have the Treasury Department's responses included in the reprint, and it was the consensus that Mr. Brill should ascertain the additional cost involved if this were to be done.

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Purchase of the reprints was thereupon approved unanimously, with the understanding that inclusion of the Treasury Department responses would also be requested if the added cost was not excessive, and the further understanding that participation of the Reserve Banks in the purchase would be solicited.

Mr. Connell then withdrew from the meeting.

Application of Camden Trust Company (Items 7 and 8). There had been distributed, with a memorandum from the Legal Division dated June 24, 1964, a proposed order and revised statement reflecting the Board's decision on June 10, 1964, to deny the application of Camden Trust Company, Camden, New Jersey, to merge with Merchantville National Bank and Trust Company, Merchantville, New Jersey. At the meeting on June 23, the Board had requested the staff to revise the statement to reflect comments made during consideration thereof.

Following brief discussion, in which further changes in the statement were agreed upon, issuance of the order and statement was authorized. Copies of the order and statement, as issued, are attached to these minutes as Items 7 and 8, respectively.

Miss Hart and Mr. McClintock then withdrew from the meeting.

Loans to dealers in Government obligations. There had been distributed a draft of letter to the Federal Reserve Bank of New York, prepared by Messrs. Hexter and Hricko and dated June 23, 1964, responding to a letter from that Reserve Bank dated May 19, 1964, in

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which the Board's advice was requested on a question involving section 19 paragraph eight, of the Federal Reserve Act. Under that statutory provision, a member bank was forbidden to "act as the medium or agent of any nonbanking corporation...in making loans on the security of stocks, bonds, and other investment securities to brokers or dealers in stocks, bonds, and other investment securities", and the question was whether such prohibition applied to situations in which a nonbanking corporation made a loan to a dealer in Government obligations upon the security of such obligations. The proposed letter discussed the legislative history of the provision in question and related aids to interpretation, and reached the conclusion that a loan of the type described would fall within the purview of the statutory prohibition. The question was reserved, however, whether the activities of banks in connection with such loans would be such as to constitute them "the medium or agent" of the lending corporation.

Governor Daane observed that, apart from the legal question involved, the Board's position on this matter could have serious implications in regard to the current and wide-spread practice of dealers in Government securities utilizing corporate funds to meet their financing needs, particularly in regard to underwriting. Were this source of funds to be precluded, there could be a detrimental impact on the Government securities market.

Mr. Hexter pointed out that the proposed interpretation would not preclude underwriters from making borrowing arrangements with corporations,

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so long as the transactions were not "arranged" with a bank acting as the medium or agent of the lending corporation.

Governor Daane commented that the question in issue was important, and he suggested that further consideration of the draft letter be deferred until Monday, June 29, in order to allow more time for reflection. Governor Robertson concurred in this suggestion, and it was thereupon agreed that the discussion would be resumed at the Board meeting on the date indicated.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on June 25, 1964, memoranda recommending the following actions relating to the Board's staff:

#### Appointments

Lyle E. Gramley as Senior Economist, Division of Research and Statistics, with basic annual salary at the rate of \$17,210, effective the date of entrance upon duty.

Judith A. Ziobro as Research Assistant, Division of Research and Statistics, with basic annual salary at the rate of \$6,575, effective the date of entrance upon duty.

Allen F. Goodfellow as Review Examiner, Division of Examinations, with basic annual salary at the rate of \$12,110, effective the date of entrance upon duty, with the understanding that he would be reimbursed for moving expenses from San Francisco, California, to the Washington, D. C., area, including transportation and per diem while in travel status.

Kate Mogerman as Draftsman-Trainee, Division of Data Processing, with basic annual salary at the rate of \$3,880, effective the date of entrance upon duty.

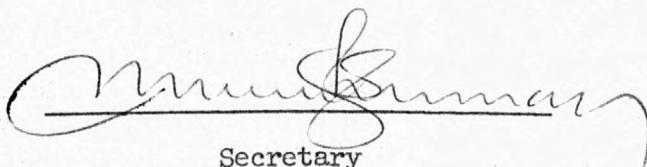
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Acceptance of resignation

Judith M. Golodner, Secretary, Office of the Secretary, effective at the close of business July 6, 1964.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a memorandum from the Division of International Finance recommending the appointment of Christine A. Cushman as Clerk in that Division, with basic annual salary at the rate of \$4,355, effective the date of entrance upon duty.

A handwritten signature in cursive script, appearing to read "Christine A. Cushman", written over a horizontal line.

Secretary

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

Item No. 1  
6/26/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 26, 1964.

Board of Directors,  
Irving Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Irving Trust Company of not to exceed \$22,760,000, for the purpose of construction and renovation of main office and branch facilities in the next five years. It is understood that this amount includes \$8.8 million in additional advances by your bank to One Wall Street Corporation, a wholly owned subsidiary, \$2,700,000 covering alteration costs for tenants, and \$5,000,000 in additional mortgage notes of the subsidiary, all to be used in the construction and alteration of main office premises. Also included is \$6,260,000 in leasehold improvements for new branches.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



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

Item No. 2  
6/26/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 26, 1964.

Board of Directors,  
The Provident Bank,  
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Provident Bank, Cincinnati, Ohio, of a branch in a shopping center to be located at the southwest corner of Springdale Road and Colerain Avenue in an unincorporated area of Colerain Township, Hamilton County, Ohio, 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 25, D. C.

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Item No. 3  
6/26/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 26, 1964.

Board of Directors,  
New Jersey Bank and Trust Company,  
Clifton, New Jersey.

Gentlemen:

Pursuant to condition of membership numbered 3, New Jersey Bank and Trust Company agreed, within a period not to exceed three years, to dispose of all corporate stock owned at the time of admission to membership in June 1958. The Board of Governors subsequently extended this period to June 20, 1964. In accordance with the request contained in your letter of June 4, 1964, and after considering the circumstances with respect to the further retention of this corporate stock, the Board extends until June 20, 1965, the time within which your bank may comply with membership condition numbered 3.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

Item No. 4  
6/26/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 26, 1964.

Board of Directors,  
Tennessee Bank and Trust Company,  
Houston, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of the Tennessee Bank and Trust Company, Houston, Texas, for stock in the Federal Reserve Bank of Dallas, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

Tennessee Bank and Trust Company - 2 -

It appears that the bank possesses the power "to issue and sell, for cash or an installment basis, investment certificates." Attention is invited to the fact that if the bank should desire to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors, and a certified copy of such resolution should be transmitted to the Federal Reserve Bank of Dallas. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank

Tennessee Bank and Trust Company - 3 -

will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 5  
6/26/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 26, 1964.



Mr. Watrous H. Irons, President,  
Federal Reserve Bank of Dallas,  
Dallas, Texas. 75222

Dear Mr. Irons:

The Board of Governors of the Federal Reserve System approves the application of the Tennessee Bank and Trust Company, Houston, Texas, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Banking Commissioner of Texas for his information.

It is noted that the bank's attention has been called to violations of Regulations Q and R, and the Board understands that these violations will be corrected prior to the time the bank becomes a member of the Federal Reserve System. It is also noted that the bank has made loans which would have been violations of Sections 11(m) and 23A had the bank been a member bank. The Board understands that these loans will be reduced to amounts conforming to the limitations of the statutes.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosures.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 6  
6/26/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 26, 1964.



CONFIDENTIAL (FR)

Mr. Harold T. Patterson,  
First Vice President and  
General Counsel,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia 30303.

Dear Mr. Patterson:

The Board of Governors approves the appointment of Robert M. Stephenson as Vice President in charge of Bank Examinations at the Federal Reserve Bank of Atlanta, effective July 1, 1964.

The Board also approves the payment of salaries to the officers listed below for the period July 1, 1964 through December 31, 1964, at rates indicated, which are those fixed by your Directors as reported in your letter of June 15, 1964.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Robert M. Stephenson	Vice President	\$17,000
George Sheffer	Chief Examiner and Assistant Vice President	16,000
J. Lyle Hardin	Assistant Chief Examiner	14,750
W. M. Davis	Assistant Cashier	16,000

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
In the Matter of the Application of

CAMDEN TRUST COMPANY

for approval of merger with  
Merchantville National Bank and  
Trust Company  
-----ORDER DENYING APPLICATION FOR APPROVAL  
OF MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Camden Trust Company, Camden, New Jersey, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank with Merchantville National Bank and Trust Company, Merchantville, New Jersey, under the charter and title of the former. As an incident to the merger, the main office and branch of Merchantville National Bank and Trust Company would be operated as branches of Camden Trust Company. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the

Comptroller of the Currency, the Federal Deposit Insurance Corporation,  
and the Department of Justice on the competitive factors involved in  
the proposed merger,

IT IS HEREBY ORDERED, for the reasons set forth in the  
Board's Statement of this date, that said application be and hereby  
is denied.

Dated at Washington, D. C., this 26th day of June, 1964.

By order of the Board of Governors.

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

Absent and not voting: Chairman Martin and  
Vice Chairman Balderston.

(signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
APPLICATION OF CAMDEN TRUST COMPANY  
FOR APPROVAL OF MERGER WITH  
MERCHANTVILLE NATIONAL BANK AND TRUST COMPANY

STATEMENT

Camden Trust Company, Camden, New Jersey ("Camden Trust"), with deposits of \$193 million<sup>1/</sup>, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and the Merchantville National Bank and Trust Company, Merchantville, New Jersey ("Merchantville Bank"), with deposits of \$16 million<sup>1/</sup>, under the charter and title of Camden Trust. The proposal contemplates that the two offices of Merchantville Bank would be operated as branches of Camden Trust, increasing the number of its offices to seventeen.

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 community to be served, and (7) the effect of the transaction on

<sup>1/</sup> As of December 20, 1963.

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. - Camden Trust and Merchantville Bank have satisfactory financial histories. The asset condition of each is sound and they have adequate capital structures. Were the merger to be consummated, these attributes would characterize the resulting bank also.

Camden Trust has a satisfactory earnings record and its earnings prospects are favorable. Although the net earnings of Merchantville Bank declined for 1963, its earnings record in general has been good. During the period 1955 to 1963 the bank's total deposits increased by over 85 per cent, and its loans by 123 per cent. Its only branch was opened in June 1963. Prospects for the foreseeable future are that the bank will continue as a profitable organization. The earnings prospects for the resulting bank would also be favorable.

The management of Merchantville Bank is satisfactory, if less aggressive than that of Camden Trust. The bank's chief executive officer, who is past normal retirement age and has been the dominant influence in management, desires to be relieved of his present responsibilities with the bank. It appears that the bank has not recruited or trained successor management. Nonetheless, in view of the bank's size and location and the aggregate compensation of that officer, it should be possible to find a successor by means other than merger, and no evidence is presented in the application to support a contrary conclusion.

There is no indication that the corporate powers are or would be inconsistent with 12 U.S.C., Ch. 16.

Convenience and needs of the communities to be served. - The City of Camden, in Camden County, is located directly across the Delaware River from Philadelphia, Pennsylvania. The population of the city was about 117,000 in 1960, reflecting a decrease of almost 6 per cent since 1950, while that of the county exceeded 392,000, reflecting an increase of over 30 per cent. Camden County is one of New Jersey's major industrial areas.

The Borough (i.e., village) of Merchantville, also in Camden County, comprises an area of slightly more than one square mile, situated about three miles from Camden. Merchantville is chiefly residential, many of its residents being employed in Camden. Merchantville's population of over 4,000 in 1960 reflected a slight decline over the past decade. Unlike most of the area surrounding it, Merchantville has virtually no vacant land.

Under New Jersey law, banks may establish branches only in the county of their head offices; but a bank may not establish a de novo branch in any political subdivision where the main office or branch of another bank is located. There are already banking offices in virtually all the political subdivisions in Camden County, and Merchantville Bank would be able to obtain a branch in any adjoining municipality only by merging with an existing bank. No bank outside Merchantville can establish a branch within that borough except by merger.

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Camden County is served by nine banks, of which two, Camden Trust and First Camden National Bank and Trust Company ("First Camden"), together have about 75 per cent of total IPC deposits<sup>2/</sup> and 82 per cent of total loans and discounts of all banks in the county. The remaining banks range in size from Haddonfield National Bank, with \$44 million of deposits, down to Delaware Valley National Bank of Cherry Hill, with \$3 million. In addition, the application states that several banks in Burlington County, some only a short distance across the county line from Merchantville, and in Gloucester County, southeast of Camden County, also serve, to some extent, the convenience and needs of the communities concerned.

The Borough of Merchantville has only two banking offices. First Camden has a nearby office which serves that general area from which the bulk of Merchantville Bank's loans and deposits are obtained. First Camden has two additional offices, and Camden Trust has one office, located outside that area but nearby and conveniently available to it.

The effect of the merger on banking convenience and needs would be limited almost entirely to Merchantville. While the Merchantville bank does not offer banking services such as corporate trust services, dealer loans, certain types of instalment loans, or safe deposit boxes at the present branch office, and has a lending limit of \$100,000, there is little indication of a demand for such banking services or a larger lending limit in Merchantville. All the services

<sup>2/</sup> Deposits of individuals, partnerships, and corporations.

and facilities not now available within the Borough of Merchantville which would be offered by the resulting bank are already available at easily accessible offices of larger banks, particularly the three offices of First Camden and the office of Camden Trust located within, or on the perimeter of, the service area<sup>3/</sup> of Merchantville Bank. Nor are the convenience and needs of the Merchantville community such as to require the presence of a larger bank in the borough.

Competition. - Camden Trust is the largest bank in Camden County. The entire service area of Merchantville Bank lies within the service area of Camden Trust, and there is direct competition between the two banks. One office of Camden Trust is little more than a mile from an office of Merchantville Bank. Consummation of the merger would eliminate that competition.

The application contends that consummation of the proposed transaction would increase competition between Camden Trust and First Camden. To some extent this would be the case, since representation of Camden Trust would be increased in an area where First Camden's offices are clustered. The application also urges that because of the restrictions imposed by New Jersey law that are described above, Merchantville Bank is "locked into" its present competitive position. This is accurate only in the sense that except by merging, Merchantville Bank is not likely to grow into a major competitive factor in the county through establishment of additional offices. State law protects the

<sup>3/</sup> The area from which a bank obtains 75 per cent or more of its IPC deposits.

competitive position of that bank in the area in which it now functions, and there is no reason to anticipate that it will not continue to enjoy a healthy growth as an independent local institution. Nor would approval of the proposal result in there being two competitive banks in Merchantville. The borough would remain exclusive territory of a single bank.

Any increased competition between the two large banks which might result from consummation of the proposed merger is more than outweighed by the increase in the already high degree of concentration of banking resources in Camden County which would clearly ensue. At present, Camden Trust holds over 42 per cent of IPC deposits and over 47 per cent of loans of banks headquartered in the county, and operates fifteen of the forty-six banking offices in the county. If the merger were consummated, these percentages would increase to 46 and 49, respectively, and the number of offices to seventeen out of forty-six.

The two largest banks in the County, Camden Trust and First Camden, together hold 75 per cent of IPC deposits and 82 per cent of loans of banks headquartered in the county and operate 63 per cent of the banking offices of all banks in Camden County. If the proposed merger were consummated, these two banks combined would hold 79 per cent of the IPC deposits, 84 per cent of the loans, and operate 67 per cent of the banking offices in the county. Of the six other banks headquartered in the county, none would hold as much as 10 per cent of the county's IPC deposits or loans.

While indicating Camden County as the service area of the resulting bank, the application also includes banks in nearby areas of Burlington and Gloucester Counties, as mentioned above, in measuring the share of banking business of banks operating throughout the service area of Camden Trust. Even if this approach were justified, it remains true that a substantial existing degree of concentration of banking resources would be increased by the proposed merger. Thus, Camden Trust and First Camden together have about 65 per cent of IPC deposits and 73 per cent of loans of all banks in the extended area of service. After consummation of the proposed merger, these percentages would be about 68 and 75, respectively. Thus, even on the basis of a market diluted by the Burlington and Gloucester banks which the applicant would include, the figures on concentration are not reduced sufficiently to alter this important aspect of the competitive picture.

Summary and conclusion. - Consummation of the proposed merger would eliminate a healthy and growing bank in direct competition with Camden Trust and increase the already high degree of concentration of banking resources in the area served by the two banks. Neither the management factor nor the convenience and needs of the communities concerned adds any significant weight for approval of the application. While effectuation of the proposal would tend to increase competition between the larger banks already competing in the community concerned, and although the possibility of banks branching

either in or out of the Borough of Merchantville is severely limited by State law, except by merger, these considerations do not appear to the Board sufficient to outweigh the adverse competitive considerations in this case.

Accordingly, the Board is unable to find that the proposed merger would be in the public interest.

June 26, 1964.