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Minutes for December 28, 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

WJ

Gov. Mills

R

Gov. Robertson

ACB

Gov. Balderston

OMD

Gov. Shepardson

JMM

Gov. Mitchell

MM

Gov. Daane

MM

Minutes of the Board of Governors of the Federal Reserve System on Monday, December 28, 1964. The Board met in the Board Room at 11:00 a.m.

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

Mr. Sherman, Secretary
Mr. Bakke, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Forrestal, Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on December 23, 1964, and by the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, and Dallas on December 24, 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.

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

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Item No.

Letter to Chemical International Finance, Ltd., New York, New York, granting permission to purchase shares of ADELA Investment Company, S. A., Luxembourg.	1
Letter to the Federal Reserve Bank of San Francisco authorizing waiver of the assessment of certain penalties incurred by Oceanside National Bank, Oceanside, California, because of deficiencies in its required reserves.	2
Letter to State Bank of Florence, Florence, Wisconsin, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	3
Letter to Stutsman County State Bank, Jamestown, North Dakota, approving its application for membership in the Federal Reserve System.	4
Messrs. Forrestal, Egertson, and Poundstone then withdrew from the meeting and Messrs. Fauver, Assistant to the Board, and Hexter, Assistant General Counsel, entered the room.	
<u>Surplus of Federal Reserve Banks.</u> Mr. Farrell referred to the action of the Board on December 16, 1964, authorizing the maintenance of surplus of the Federal Reserve Banks at 100 per cent of paid-in capital rather than 100 per cent of subscribed capital, and to discussions of the procedure for making payment to the Treasury of approximately \$500 million that would be released from present surplus. He also referred to the form of press statement to be used in announcing that action early in 1965, as generally agreed upon at the meeting on December 22, and to the further discussion on December 23, at which time payment to the Treasury on a monthly instalment basis was suggested	

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as an alternative to making a lump-sum payment of the funds released from the surplus accounts of the Reserve Banks.

Mr. Farrell went on to say that he had discussed the procedure with Fiscal Assistant Secretary of the Treasury Carlock and that the latter had indicated no objection to receiving the funds on a monthly basis during 1965 along with the monthly payments ordinarily made to the Treasury out of current earnings. Mr. Carlock also reported that other Treasury officials had no objection to this procedure but that they had discussed it with Bureau of the Budget officials, who had expressed a preference that the funds be received by the Treasury in quarterly instalments to be paid in April, July, and October 1965, and January 1966, or in monthly payments beginning in March 1965 (thereby placing no more than one-third of the amount released from present surplus in Treasury receipts in fiscal 1965.) Mr. Farrell said that he was bringing this to the attention of the Board in view of the need for determining promptly the procedure to be followed in connection with the payments to the Treasury and the wording of the press release to be issued early in 1965.

Governor Daane stated that the alternatives proposed by the Budget Bureau were calculated to achieve a purpose unrelated to the underlying reason for the Board's decision to reduce the surpluses of the Federal Reserve Banks and hereafter to maintain surplus at an amount equal to paid-in rather than subscribed capital. For this reason, he was inclined

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to the view that the formula calling for pro rata additions to the System's usual monthly payments to Treasury during calendar 1965 should be followed.

Governor Mills observed that since he had opposed the reduction in authorized surplus of the Reserve Banks, he did not believe it appropriate to express any views concerning the mechanics of effecting payment of the resulting excess funds to Treasury.

Governor Robertson recalled that the Board, in discussing the method of payment to be employed, had given consideration to the impact of the payment upon the System's open market operations. It was his understanding that this consideration was now regarded as of minor importance.

Mr. Farrell replied that in discussing the matter with the Manager of the System Open Market Account, it developed that the latter had been hoping that the entire \$525 million freed by reduction in the authorized level of surplus accounts might be paid over to Treasury immediately after the close of 1964 and that the Treasury in turn would deposit these funds with the Class C depositary banks before January 4, 1965. This would be desirable from the standpoint of effective administration of the System Open Market Account, because that amount of commercial bank funds would then be available to dealers in Government securities for use in retiring their commitments to the Account under repurchase agreements executed prior to December 31, 1964.

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Governor Balderston expressed the opinion that the important issue was whether, given the Board's decision to make these funds available to the Treasury, it was appropriate for the latter to suggest the timing of their release.

Governor Robertson questioned whether it was necessary for the Board to be adamant in regard to a particular manner of payment. While at the outset it had seemed that the simplest approach would be a single lump-sum transfer of the funds in question, on December 23 the Board had decided upon a schedule of additions to the normal monthly payments to the Treasury for 1965. If there was justification for adhering to this decision he would do so, but he wondered whether there was an adequate basis for insisting upon such a formula.

Governor Daane commented that that decision had been based partly on the assumption that monthly payments would be helpful from the standpoint of orderly System operations but that it also was felt that such a procedure would be consistent with the practice of turning over the System's excess earnings to the Treasury on a monthly payment basis.

Governor Robertson replied that if monthly payments of the freed surplus would not facilitate operations in the System Open Market Account, then the "self-interest" argument for that method disappeared. Another way to handle the matter would be to segregate the funds into a special reserve account on the books of the Reserve Banks and let the Treasury draw against the funds whenever it wished to do so.

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During further discussion, Governor Balderston said that he could see no reason for not making the funds available at such time and in such manner as Treasury wished, with the understanding that any inquiries as to the reason for the method of payment would be referred to the Treasury for explanation.

Governor Daane stated that although he preferred the monthly payment plan, he could go along with the foregoing line of thinking; however, any procedure such as Governor Balderston suggested should be discussed in advance with the Treasury.

Governor Balderston noted that he was to attend a meeting at the Treasury Department late today, adding that he would take the opportunity to discuss the matter with the appropriate officials.

Secretary's Note: Governor Balderston subsequently reported that Treasury officials expressed a clear preference for the plan of pro rata monthly payments of the freed surplus, as agreed upon by the Board at its meeting of December 23, 1964.

Regulation F. Governor Robertson reported that a draft of the Board's proposed press release to accompany release in final form of Regulation F, Securities of Member State Banks, had been transmitted to the Federal Deposit Insurance Corporation for comment on December 24, 1964, and that the Board, in turn, had received a draft of press release proposed to be used by the Corporation in connection with publication of its counterpart regulation. He stated that Mr. Fauver would coordinate any changes to be made in the Board's press release, which was proposed to be issued, contemporaneously with Regulation F, on December 29, 1964.

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Governor Mills expressed regret that the new regulation was to be issued in final form at this time, since he would prefer to be amply sure that adequate consideration had been given to the comments and suggestions of all interested parties. However, this feeling was engendered by his conservative nature rather than by any lack of confidence in the thoroughness of attention to all pertinent considerations to date.

Governor Robertson commented that all proposals made by the American Bankers Association and various clearinghouse associations to date had been carefully reviewed, and all those that in good conscience could be accepted had been incorporated into the proposed final regulation. He added the thought that the banking community would find the regulation as published in final form more satisfactory than some comments might now suggest. He could not see that any useful purpose would be served by further delay in issuance of the regulation, and such delay could easily result in criticism of the Board.

Governor Balderston echoed this latter sentiment, stating that the Executive Vice President of the American Bankers Association had acknowledged that the delay in promulgation of the regulation recently requested by representatives of the Association in telegrams to the Board members had reflected lack of understanding of the changes that would be embodied in the final document.

Governor Daane also urged issuance of Regulation F without further delay.

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Following brief discussion concerning the present posture of the Board's proposed press release, during the course of which Governor Balderston suggested certain revised language in the opening paragraph, Governor Robertson stated that he planned to consult with the staff and with the Federal Deposit Insurance Corporation, with the expectation that it would be issued on December 29 for release on December 31.

Secretary's Note: Copies of Regulation F and the press release in the form issued on December 29, 1964, are attached to the minutes of December 16.

Application of County Trust Company (Items 5-7). There had been distributed drafts of an order and statement reflecting the Board's approval on December 16, 1964, of the application of The County Trust Company, White Plains, New York, for permission to merge with The Peoples Bank of Rockland County, New City, New York. A dissenting statement of Governor Mills in which Governor Robertson concurred also had been distributed. Mr. Sherman reported that Governor Mitchell before leaving had indicated that he would have no objection to issuance of the documents, subject to certain changes in the majority statement.

The issuance of the order, majority statement, and dissenting statement was authorized. Copies of the documents, as issued, are attached to these minutes as Items 5-7.

The meeting then adjourned.

Secretary's Notes: A letter was sent to the Federal Reserve Bank of San Francisco on December 24, 1964, approving a special

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Grade 16 maximum of \$19,500 in the salary structure applicable to the head office of the Bank. The letter, a copy of which is attached to these minutes as Item No. 8, was sent under authority of the Board's action of November 30, 1964.

Acting in the absence of Governor Shepardson, Governor Mitchell approved on behalf of the Board on December 24, 1964, the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 9) approving the appointment of David C. Springman as assistant examiner.

Memorandum from Katharyne P. Reil, Economist, Division of Research and Statistics, requesting permission to estimate the coverage of consumer credit by usury laws in six States for the National Conference of Commissioners on Uniform State Laws.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

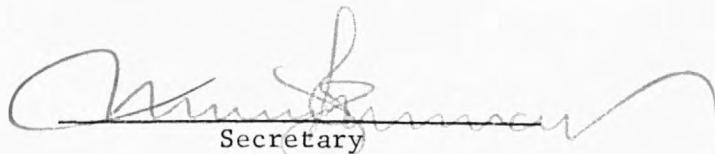
Appointments

Gerard E. Phillips as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$3,385, effective the date of entrance upon duty.

Raymond Lee Miller Holmes as Digital Computer Programmer, Division of Data Processing, with basic annual salary at the rate of \$5,495, effective the date of entrance upon duty.

Salary increase

Kate Mogerman, Draftsman-Trainee, Division of Data Processing, from \$4,005 to \$4,480 per annum, with a change in title to Draftsman, effective January 3, 1965.


Arthur E. Johnson
Secretary

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
12/28/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1964.

Chemical International Finance, Ltd.
20 Pine Street,
New York, New York 10015.

Gentlemen:

In accordance with the request contained in your letter of December 16, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent to your Corporation's purchase and holding of 50 ordinary shares, par value, US\$10,000 each, of ADELA Investment Company, S.A., Luxembourg, at a cost of approximately US\$500,000, provided such stock is acquired within one year from the date of this letter.

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, D. C. 20551

Item No. 2
12/28/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1964

Mr. Eliot J. Swan, President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Swan:

This refers to your letter of October 29, 1964, and Mr. Hemmings' letter of December 14, 1964, regarding the penalties totaling \$257.37 incurred by the Oceanside National Bank, Oceanside, California, on deficiencies in its required reserves during 11 of the 18 biweekly computation periods from February 6 to October 14, 1964.

It is noted that (1) these deficiencies were discovered in the semiannual comparison of Call Reports with Reserve Condition Reports; (2) during the entire period, the bank had been including amounts representing checks forwarded to correspondents for collection as Cash Items in Process of Collection as well as in Due from Banks on its reports of deposits for reserve purposes; (3) your Bank had previously assessed penalties totaling \$33.76 based on the incorrect reports, and that the penalties of \$2.11 for the period ended April 29 and \$4.22 for the period ended June 10 can be waived under the Board's instructions (S-1123, F.R.L.S. #6120); and (4) the bank has maintained nominal excess reserves in most instances since its opening on December 17, 1963.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of the remaining penalties of \$217.28 for the reserve computation periods from February 6 to October 14, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

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Item No. 3
12/28/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1964

Board of Directors,
State Bank of Florence,
Florence, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Minneapolis has forwarded to the Board of Governors your letter dated November 20, 1964, together with the accompanying resolution, 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 Minneapolis of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

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

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
12/28/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1964

Organization Committee,
Stutsman County State Bank,
Jamestown, North Dakota.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Stutsman County State Bank, Jamestown, North Dakota, for stock in the Federal Reserve Bank of Minneapolis, effective if and when the bank opens for business under appropriate State authorization, 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.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$150,000, and other capital funds of not less than \$210,000.

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.

Organization Committee

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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 after the bank's charter has been issued and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. 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 90 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 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.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
THE COUNTY TRUST COMPANY
for approval of merger with
The Peoples Bank of Rockland County

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by The County Trust Company, White Plains, New York, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Peoples Bank of Rockland County, New City, New York, under the charter and name of The County Trust Company. As an incident to the merger, the three offices of The Peoples Bank of Rockland County would become branches of The County Trust Company. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

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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 transaction,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) within seven calendar days after the date of this Order, or (b) later than three months after said date.

Dated at Washington, D. C., this 28th day of December, 1964.

By order of the Board of Governors.

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

Voting against this action: Governors Mills and Robertson.

Absent and not voting: Governor Daane.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 6
12/28/64

BOARD OF GOVERNORS

OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY THE COUNTY TRUST COMPANY
FOR APPROVAL OF MERGER WITH
THE PEOPLES BANK OF ROCKLAND COUNTY

STATEMENT

The County Trust Company, White Plains, New York ("County Trust"), with total deposits of \$661 million, 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 Peoples Bank of Rockland County, New City, New York ("Peoples Bank"), which has total deposits of \$15 million.^{1/} The banks would merge under the charter and name of County Trust. As an incident to the merger, the three offices of Peoples Bank, including one which has been approved but not yet opened for business, would become branches of County Trust, increasing the number of its offices from 49 to 52.

Under the law, 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., Chapter 16 (the Federal Deposit Insurance Act), (6) the convenience

1/ Deposit figures are as of June 30, 1964.

and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all of these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial histories of County Trust and Peoples Bank are satisfactory, and each bank has a sound asset condition and an adequate capital structure. Each bank has a satisfactory earnings record and good future earnings prospects. The management of County Trust is capable. The management of Peoples Bank is satisfactory, but the bank's two principal officers wish to retire. It seems that Peoples Bank should be able to find suitable replacements without resort to merger. However, the proposed merger would result in the more progressive management and operation of the offices now operated by Peoples Bank. In addition to capable management, the resulting bank would have a sound asset condition, an adequate capital structure, and good future earnings prospects.

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

Convenience and needs of the communities. - Peoples Bank is one of seven commercial banks located in Rockland County, New York, which is separated on the east from Westchester County by the Hudson River. In addition to its principal office in New City, Peoples Bank

operates a branch office in Haverstraw and has authority to open a second branch there. The service area^{2/} of Peoples Bank consists of the town of Clarkstown, in which is located New City, and the western portion of the town of Haverstraw, in which is located the village of Haverstraw. The northern border of the service area is marked by the intervention of a sparsely populated sector, and limited access highways, because they restrict the flow of traffic, tend to define the approximate western and southern boundaries.

During the period 1950-1963, the population of Rockland County increased by more than 80 per cent, from 89,000 to 162,000 persons. The town of Clarkstown, in which is located New City - the site of Peoples Bank's head office, grew more rapidly than any other town in the county during this period. Although Rockland County is still principally a residential area, there are now about 140 industrial plants in the county which collectively employ approximately 15,000 persons. Nearly half of these plants are in, or adjacent to, the area served by Peoples Bank.

A substantial demand for bank credit, especially for real estate financing, has accompanied the population growth and increased economic activity in Rockland County. Recently, many commercial and residential projects have been financed by banks located outside the county. Although it presently follows a rather restrictive lending policy, Peoples Bank does not appear to be capable of meeting adequately

^{2/} The area from which a bank obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations ("IPC deposits").

the growing demand for loans in the area which it serves. With greater resources and a higher lending limit, County Trust could better serve the credit needs of the community and make available, in general, a wider variety of banking services in Rockland County.

The banking needs and convenience of the area presently served by County Trust would not be materially affected by the proposed merger.

Competition. - Peoples Bank, with less than 7 per cent of the IPC deposits and with 2 of 37 offices, is the second smallest of the 7 commercial banks operating in Rockland County. In addition to its principal office, County Trust has 47 branch offices authorized or in operation in Westchester County and one branch office in Putnam County. The offices of the proponent banks nearest each other are about 12 miles apart, located on opposite sides of the Hudson River and separated by the offices of other banks. There appears to be no significant competition between the two banks.

While County Trust's growth in Westchester County is an indication of vigorous banking, its 48 offices there compete with 24 offices of New York City based banks and 72 offices of locally headquartered banks. The other banks in the county, including the smaller ones, have continued to enjoy relatively high rates of growth. This is evidence that County Trust is a strong, but hardly a predatory, competitor. We conclude that the presence of County Trust would likely have a positive competitive effect on the other commercial banks

operating in Rockland County. An incidental competitive gain from the merger would be the elimination of the home-office protection now enjoyed by Peoples Bank so that other banks could establish branches in New City.

Summary and conclusion. - Although County Trust holds a considerable portion of the banking resources in Westchester County, it does not appear that its entrance into Rockland County, through the acquisition of Peoples Bank, would have adverse consequences for banking competition. Indeed, it is probable that banking competition would be enhanced. Moreover, County Trust would be better able to provide for the community now served by Peoples Bank the banking services which are required by the area's vigorous development and which are necessary for its continued economic progress.

Accordingly, the Board finds that the proposed merger would be in the public interest.

December 28, 1964.

DISSENTING STATEMENT OF GOVERNOR MILLS
WITH WHICH GOVERNOR ROBERTSON CONCURS

I cannot agree that effectuation of this proposal will be in the public interest in view of the vast competitive advantage that County Trust will have over the banks in Rockland County.

County Trust, the dominant commercial bank headquartered in New York's Third Banking District, is by far the largest in Westchester County, having almost 48 per cent of the total IPC deposits and over 33 per cent of the County's commercial banking offices. Upon consummation of the proposal, County Trust will have IPC deposits of over \$563 million, compared to the remaining six Rockland County banks with total IPC deposits of only a little over \$166 million. Of the six commercial banks that will remain in Rockland County following the merger, the largest has IPC deposits of only slightly over \$64 million, yet this bank is almost twice as large as the next ranking bank in Rockland County. The four other remaining banks in Rockland County range downward in size to the smallest, with deposits of less than \$9.8 million, and are substantially smaller than all but two of the seven commercial banks headquartered in Westchester County.

The entrance into Rockland County of County Trust, with deposits aggregating about three and one-half times the total deposits of the county's six remaining banks, will confront those banks with severe competitive inequality. This detrimental competitive imbalance in the banking structure of Rockland County undoubtedly will create a strong propensity for counter-offensive mergers for offsetting the

disproportionate competitive advantage of County Trust, thereby reducing the number of banking alternatives and serving as a definite deterrent to the entry of new independent banks into the area.

Evidence in the record of this case clearly shows that customers in the Rockland County area with needs for banking services greater than those available at any of the Rockland County banks have access to relatively nearby offices of big New York City banks and to the larger banks in Westchester County, including County Trust. This is not, therefore, a case in which local banking needs are not being satisfied reasonably. Clearly, County Trust competes in varying degrees with all the banks in Rockland County. It can continue to do so without the greatly increased competitive advantage of offices in Rockland County.

Peoples Bank is a sound, profitable, and growing institution. During the ten years just past, County Trust has merged with nine banks. Of its total growth in banking offices and deposits during that period, 54 per cent and 19 per cent, respectively, are attributable to these nine mergers. By the present application, County Trust would acquire yet another smaller bank.

There is nothing in the record of this case, as I read it, sufficient to offset the seriously adverse competitive effects of the proposal. I would, therefore, disapprove the application.

December 28, 1964.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
12/28/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 24, 1964

CONFIDENTIAL (FR)

Mr. Eliot J. Swan, President,
Federal Reserve Bank of San Francisco,
San Francisco, California 94120.

Dear Mr. Swan:

The Board of Governors has approved a special
Grade 16 maximum of \$19,500 in the salary structure appli-
cable to the Head Office of the Federal Reserve Bank of
San Francisco, effective January 1, 1965, as requested in
your letter of December 18, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 9
12/28/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 24, 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 December 16, 1964, the Board approves the appointment of David C. Springman as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

It is noted that Mr. Springman is indebted to The First Pennsylvania Banking and Trust Company and to Fidelity-Philadelphia Trust Company, State member banks located in Philadelphia, Pennsylvania, Third Federal Reserve District, but that he will not participate in any examination of these banks.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.