

Minutes for March 12, 1965.

To: Members of the Board

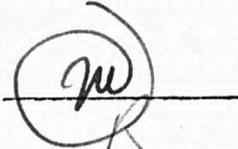
From: Office of the Secretary

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

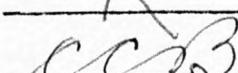
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

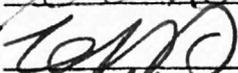
Chm. Martin



Gov. Robertson



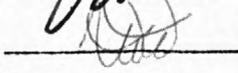
Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Friday, March 12, 1965. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Robertson, Acting Chairman  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Noyes, Adviser to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Holland, Associate Director, Division of  
Research and Statistics  
Mr. Koch, Associate Director, Division of  
Research and Statistics  
Mr. Partee, Adviser, Division of Research  
and Statistics  
Mr. Solomon, Adviser, Division of Research  
and Statistics  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Katz, Adviser, Division of International  
Finance  
Mr. Spencer, General Assistant, Office of the  
Secretary  
Mr. Axilrod, Chief, Government Finance Section,  
Division of Research and Statistics  
Mr. Eckert, Chief, Banking Section, Division of  
Research and Statistics  
Mr. Baker, Economist, Division of International  
Finance  
Mr. Furth, Consultant

Money market review. There were distributed tables presenting data on interest rates in expansionary periods, the money market, and bank reserve utilization.

Mr. Axilrod discussed developments in the Government securities market, following which he commented on interest rate behavior during

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expansionary periods, his analysis being related to the distributed tables. Mr. Baker then reported on recent foreign exchange market developments.

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

Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel Administration  
Mr. Hexter, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Daniels, Assistant Director, Division of Bank  
Operations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Messrs. Plotkin and Via, Senior Attorneys, Legal Division  
Messrs. Egertson and McClintock, Supervisory Review Examiners,  
Division of Examinations  
Mr. Sidman, Financial Accountant, Securities and Exchange  
Commission (on loan to the Board)

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on March 11, 1965, 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 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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	<u>Item No.</u>
Letter to Piedmont Trust Bank, Martinsville, Virginia, approving the establishment of a branch in Patrick Henry Mall.	1
Letter to Columbus Bank and Trust Company, Columbus, Georgia, approving the establishment of a branch at Buena Vista Road and Tennessee Drive.	2
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Fresno.	3
Letter to Union Bank, Los Angeles, California, approving the establishment of a branch in San Diego.	4
Letter to The Merchants and Farmers Bank, Smithfield, Virginia, approving an investment in bank premises.	5
Letter to Columbus Bank and Trust Company, Columbus, Georgia, approving an investment in bank premises.	6
Letter to Columbus Junction State Bank, Columbus Junction, Iowa, approving an investment in bank premises.	7
Letter to the Federal Deposit Insurance Corporation regarding the application of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	8
Letter to The Citizens Bank and Trust Company, Washington, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	9
Letter to the Federal Reserve Bank of Richmond approving the appointment of J. H. Wyatt as Federal Reserve Agent's Representative for the sole purpose of custody of Federal Reserve notes stored at cash agent banks.	10
Letter to the Federal Reserve Bank of Richmond approving the use of an annual rate of 10 per cent for depreciating the building at Ninth and Franklin Streets purchased by the Bank in January 1965.	11

Mr. Johnson then withdrew from the meeting.

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Report on competitive factors (Boston, Massachusetts). A report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of Congress National Bank of Boston, Boston, Massachusetts, and The National Shawmut Bank of Boston, Boston, Massachusetts, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed consolidation of Congress National Bank of Boston and The National Shawmut Bank of Boston would have no effect on competition.

Report on competitive factors (Valley Falls, Kansas). A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of Kendall State Bank, Valley Falls, Kansas, and The Citizens State Bank, Valley Falls, Kansas, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

Kendall State Bank and The Citizens State Bank are the only banks located in Valley Falls, and it appears substantial competition has existed between them. Recently, the president of Kendall State Bank purchased controlling interest in Citizens State Bank. While the competition now existing between the banks is limited, consummation of the transaction would eliminate permanently any potential competition between them should the close relationship be terminated.

Application of City Bank and Trust Company (Items 12-14).

Pursuant to the decision reached at the meeting on February 24, 1965, there had been distributed a proposed order and statement reflecting approval of the application of The City Bank and Trust Company,

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Milwaukee, Wisconsin, to acquire the assets of American State Bank, Milwaukee. (The name of the resulting bank would be American City Bank and Trust Company.) There also had been distributed a dissenting statement by Governor Mitchell with which Governor Robertson concurred.

During discussion of the majority statement, certain changes were agreed upon. The changes expanded the summary and conclusion in the direction of emphasizing the benefits to the community seen by the majority in the improved and additional banking services that reportedly would be made available.

Subject to the incorporation of the changes agreed upon, the issuance of the order, statement, and dissenting statement was authorized. Copies of the documents, as issued, are attached as Items 12 through 14.

Messrs. Shay, Via, Egertson, and McClintock then withdrew from the meeting.

Registration statement of Chase Manhattan Bank (Items 15 and 16).

There had been distributed a memorandum from the Legal Division dated March 8, 1965, discussing a request by The Chase Manhattan Bank, New York, New York, and by the New York Stock Exchange for acceleration of the effective date for registration of Chase's capital stock on the Exchange.

Section 12(d) of the Securities Exchange Act of 1934 provides, in effect, that a registration statement filed pursuant to section 12(b) shall become effective 30 days after the receipt of certification from

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a national securities exchange that such exchange has approved the securities covered by the registration statement for listing and registration or within such shorter period of time as the Board may determine. A telegram had been received on February 26, 1965, from the New York Stock Exchange stating that the capital stock of Chase Manhattan Bank had been approved for listing and registration.

The Legal Division memorandum stated that the staff had reviewed the registration statement filed February 26, 1965, as amended March 4, 1965, and believed that it substantially complied with the disclosure requirements of the Securities Exchange Act and the Board's Regulation F, Securities of Member State Banks. Since fairly adequate financial and other information concerning Chase Manhattan Bank was available to the financial community through its annual reports to stockholders and in various financial reporting services prior to the filing of the registration statement, and a period of nearly three weeks would have elapsed from the date of filing until the date trading commenced, the staff recommended that the Board grant the request for acceleration. Drafts of an order declaring registration effective immediately, and of a press statement, were attached to the memorandum.

Following discussion, the proposed order was approved unanimously, along with issuance of the press statement. Copies of the order and press statement, as issued, are attached as Items 15 and 16.

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Messrs. Hexter, Plotkin, and Sidman then withdrew from the meeting.

Cincinnati Branch building. Mr. Farrell reported a telephone call of March 10, 1965, from Chairman Hall and President Hickman of the Federal Reserve Bank of Cleveland with regard to a site for a new Cincinnati Branch building.

In a letter of February 25, 1965, to the Cleveland Bank, the Board had expressed the view that a site containing about 58,000 square feet would not provide adequately for future expansion and suggested that consideration be given to the possible acquisition of certain adjacent property.

Mr. Farrell noted that the additional property now being considered by the Reserve Bank consisted of two parcels, one of which was occupied by a four-story building in poor condition; the other parcel was occupied by the Mercantile Library Building, which was in fair condition. In the plans that had been considered up to this time, neither of the buildings was to have been razed as part of the Redevelopment Program. The City of Cincinnati now proposed to include one of the properties in the program, and Chairman Hall had stated that the Bank felt the two sites afforded the best expansion possibilities. However, the one property was to be offered to building and loan associations for construction of an office. Neither Chairman Hall nor President Hickman felt that it would be particularly desirable to have a building

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and loan association as an abutting neighbor to the new Federal Reserve building. While it was believed that the City could be persuaded to give up the building and loan proposal, there would probably be insistence on immediate use of the property. In discussions of this matter, the suggestion had been made that the property might be acquired by the Reserve Bank with the understanding that the Bank would erect on it a building that would be sufficient to house for 10 or 15 years a restaurant that was being displaced by another part of the Redevelopment Program. Chairman Hall and President Hickman had asked for the Board's reaction to such a proposition if the arrangement included a firm provision for terminating the restaurant's lease within 10 or 15 years at the Reserve Bank's option.

At the conclusion of a general discussion of the information presented by Mr. Farrell, it was understood that the Cleveland Bank would be advised informally that there was a disinclination on the part of some members of the Board who were present today to regard favorably a proposition whereby a building would be erected on the proposed site for lease, and that it continued to be the view that property should be acquired affording between 75,000 and 95,000 square feet of space. It was also understood that the matter would be considered further by the Board next Monday.

Service of staff on Presidents' Conference subcommittees. Following discussion, it was understood that the Chairman of the Presidents' Conference would be advised that the Board had no objection to the

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continued service of various members of its staff as associates of particular subcommittees of the Conference, but that if any changes in or additions to the present list of associates should be involved, such matters would be taken up by the Board for approval of the proposed designations.

The meeting then adjourned.

Secretary's Notes: Letters were sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish the following foreign branches: (1) an additional branch in Belgium, to be located in Antwerp; (2) an additional branch in the Dominican Republic, to be located in Santo Domingo; and (3) an additional branch in Kuala Lumpur, Malaysia, to be located on Ampang Road. Each of the letters contained the following paragraph: "It is understood, based on a letter dated March 1, 1965, from Mr. Carl W. Desch, Cashier, First National City Bank, that First National City Bank confirms its pledge to cooperate in the voluntary foreign credit restraint program instituted by the Administration and to use every reasonable effort to maintain outstanding credits to foreigners during 1965 at a level not exceeding 5 per cent above the December 31, 1964, standings. With respect to the establishment of foreign branches, funds to be invested (whether in the form of allocated capital, advances, and fixed assets and equipment) should be counted as part of the 5 per cent target."

Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on March 11, 1965, a letter to the Federal Reserve Bank of Minneapolis (attached Item No. 17) approving the appointment of Marvin L. Knoff as assistant examiner.

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

Letter to the Federal Reserve Bank of Kansas City (attached Item No. 18) approving the appointment of Hugh Gordon Hueftle as assistant examiner.

Memorandum from the Division of Examinations dated March 2, 1965, requesting that the Board authorize payment of the cost of a dinner at the Shoreham Hotel on April 21, 1965, in connection with the Conference of General Auditors of the Federal Reserve Banks to be held April 21-23. In this connection Governor Shepardson also approved a list of 49 persons to be invited to the dinner.

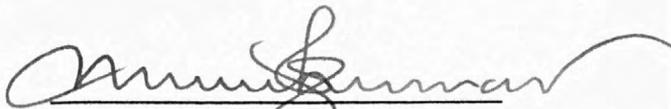
Memoranda recommending the following actions relating to the Board's staff:

Appointment

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

Salary increase

Mary Ellen Miller, Stenographer, Division of Examinations, from \$4,005 to \$4,480 per annum, effective March 14, 1965.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
3/12/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965



Board of Directors,  
Piedmont Trust Bank,  
Martinsville, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Piedmont Trust Bank, Martinsville, Virginia, in Patrick Henry Mall located at the intersection of East Church Street and Booker Road, Martinsville, Virginia, provided the branch is established within six 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

Item No. 2  
3/12/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965



Board of Directors,  
Columbus Bank and Trust Company,  
Columbus, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Columbus Bank and Trust Company, Columbus, Georgia, of a branch at the intersection of Buena Vista Road and Tennessee Drive, Columbus, Georgia, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3  
3/12/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965.



Board of Directors,  
Wells Fargo Bank,  
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the vicinity of the intersection of Divisadero, Angus, and East Tulare Streets, Fresno, 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.)

Item No. 4  
3/12/65

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Union Bank, Los Angeles, California, of a branch in the downtown business district of San Diego, 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.)

Item No. 5  
3/12/65

**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**

WASHINGTON, D. C. 20551

**ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD**

March 12, 1965



Board of Directors,  
The Merchants and Farmers Bank,  
Smithfield, Virginia.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment in bank premises of \$8,500 by The Merchants and Farmers Bank, Smithfield, Virginia, for the purchase of one of the lots on which the bank building is located.

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. 6  
3/12/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD.

March 12, 1965

Board of Directors,  
Columbus Bank and Trust Company,  
Columbus, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an indirect investment in bank premises of \$1,170,000 by Columbus Bank and Trust Company, Columbus, Georgia, for construction of banking quarters for three branches.

It is understood that the premises for the three branches will be owned by the bank's wholly-owned affiliate, CB & T Real Estate Company, and that the \$1,170,000 represents an investment of \$300,000 by the bank in the capital stock of the affiliate, and \$870,000 in funds to be borrowed by the affiliate from a source other than the subject bank.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Item No. 7  
3/12/65

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965

Board of Directors,  
Columbus Junction State Bank,  
Columbus Junction, Iowa.

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 of not to exceed \$105,000 by Columbus Junction State Bank, Columbus Junction, Iowa, for the expansion of banking quarters.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Item No. 8  
3/12/65

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965.



Honorable Joseph W. Barr, Chairman,  
Federal Deposit Insurance Corporation,  
Washington, D. C. 20429

Dear Mr. Barr:

Reference is made to your letter of February 17, 1965, concerning the application of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System. Your letter also notes the proposed merger of Dauphin Deposit Trust Company with Lemoyne Trust Company, Lemoyne, Pennsylvania, a State member bank.

There have been no corrective programs urged upon the above-mentioned banks, or agreed to by them, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the applicant bank to membership in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Item No. 9  
3/12/65BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965



Board of Directors,  
The Citizens Bank and Trust Company,  
Washington, Indiana.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter dated February 15, 1965, 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.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. 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 the notice of intention to withdraw from membership was given.

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

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Item No. 10  
3/12/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965



Mr. Edwin Hyde,  
Federal Reserve Agent,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213.

Dear Mr. Hyde:

As requested in your letter of March 1, 1965, the Board of Governors approves the appointment of Mr. J. H. Wyatt, Assistant Cashier, Bank and Public Relations Department, to succeed Mr. J. Lander Allin, Jr. as Federal Reserve Agent's Representative for the sole purpose of custody of Federal Reserve notes stored at Cash Agent Banks.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11  
3/12/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965

Mr. Edward A. Wayne, President,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213

Dear Mr. Wayne:

This refers to your letter of February 3, 1965, about allocation of the cost of the "Goldberg property" (817-821 East Franklin Street) purchased by the Federal Reserve Bank of Richmond on January 28, 1965, and the rate of depreciation on the building.

Your Bank proposes to allocate 36 per cent of the purchase price of the property to "Land" and 64 per cent to "Buildings," on the basis of the appraisal made last August, and to make no separate allocation to "Fixed machinery and equipment." This appears to be appropriate.

It is noted that the Bank desires to depreciate the combined "Buildings" account at a rate of 10 per cent per annum, as is being done with the adjacent "W. J. Driver property." In the circumstances, the Board approves an annual depreciation rate of 10 per cent for this purpose.

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  
THE CITY BANK AND TRUST COMPANY  
for approval of acquisition of assets of  
American State Bank  
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ORDER APPROVING ACQUISITION OF BANK'S ASSETS

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 City Bank and Trust Company, Milwaukee, Wisconsin, which, under the new name American City Bank & Trust Company, is to be a State member bank of the Federal Reserve System, for the Board's prior approval of its acquisition of assets and assumption of deposit liabilities of American State Bank, Milwaukee, Wisconsin. Notice of the proposed acquisition of assets and assumption of deposit liabilities, 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 transaction,

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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 acquisition of assets and assumption of deposit liabilities 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 12th day of March, 1965.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson  
and Mitchell.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
APPLICATION BY THE CITY BANK AND TRUST COMPANY  
FOR APPROVAL OF ACQUISITION OF ASSETS OF  
AMERICAN STATE BANK

STATEMENT

The City Bank and Trust Company, Milwaukee, Wisconsin ("City Bank"), with total deposits of \$35.6 million, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of its acquisition of the assets and assumption of the liabilities of American State Bank, Milwaukee, Wisconsin, which has total deposits of \$44.8 million.<sup>1/</sup> Neither bank has any branches. Upon consummation of the transaction, the banking office of City Bank would be closed, since its operation as a branch would be prohibited by State law. The name of City Bank would be changed to American City Bank and Trust Company, and it would be a State member bank of the Federal Reserve System.

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., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the

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

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 City Bank and American State Bank are satisfactory, and City Bank has a generally satisfactory asset condition and an adequate capital structure. The capital structure of American State Bank is reasonably satisfactory, and although its asset condition reflects a sizable aggregate of relatively high-risk loans, the bank has a good over-all loss experience. American State Bank's earnings record is good, and its future earnings prospects are reasonably favorable. The earnings record of City Bank is less than satisfactory, and its future earnings prospects are no better than fair. A factor of considerable significance in this respect is that City Bank, located in an area which now consists largely of merchandising and light manufacturing establishments, operates, and has traditionally operated, as a "retail" institution catering mainly to the banking needs of individuals.

The management of City Bank, although presently lacking in depth, is experienced and capable. American State Bank, basically a "wholesale" institution, is managed fairly satisfactorily although, apparently as a result in part of the necessity that it compete with much larger banks, its policies are aggressive and liberal. The management of the acquiring bank would be composed of the managing officers of the proponent banks.

The capital structure and asset condition of the acquiring bank would be reasonably satisfactory and its earnings prospects favorable.

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

Convenience and needs of the communities. - City Bank and American State Bank are located one block apart in the center of the downtown business district of Milwaukee, Milwaukee County, Wisconsin. Milwaukee, which is situated on the west shore of Lake Michigan, is a diversified industrial center and serves as an important port. The population of Milwaukee is about 741,000 persons, and the total population of Milwaukee County exceeds one million.

There are 39 commercial banks, with 55 banking offices, in Milwaukee County, virtually all of which are located in the city of Milwaukee or within its metropolitan area.<sup>2/</sup> Fourteen of these banks, with a total of 27 offices, are subsidiaries of one or another of three bank holding companies and hold, altogether, 76 per cent of the total deposits of all commercial banks in Milwaukee County. The head offices of each of the largest banks owned by these holding companies are located within one block of the offices of City Bank and American State Bank.

It is not alleged that the banking needs and convenience of the community are not being adequately met. However, the proposed

<sup>2/</sup> State law now prohibits the establishment of branch banking offices. A new bank, to be located in downtown Milwaukee, has been approved but not yet opened for business.

acquisition would result in a bank generally capable of providing improved and expanded services and, more particularly, with a lending limit 80 per cent greater than the present limit of the larger of the proponent banks. The acquiring bank, with the improved and additional services contemplated by the proposal, would benefit the community in that it would constitute an alternative source of relatively full banking services.

Competition. - City Bank and American State Bank have essentially identical service areas,<sup>3/</sup> which may be approximately defined as the area within a six-mile radius of downtown Milwaukee. Both banks, however, secure some business from throughout the Milwaukee metropolitan area. If the proposed acquisition were consummated, the acquiring bank would hold 4.3 per cent of total deposits held by the present 24 commercial banks located in the service area, as defined above, and 4.1 per cent of such deposits held by all commercial banks in Milwaukee County.

Despite the virtually coterminous geographical markets of the proponent banks, there is a relatively limited amount of competition existing between them because City Bank provides banking services principally for individuals, whereas American State Bank caters mainly to the banking needs of business establishments. If operated as independent institutions, some potential for further competition between these banks may exist in that each could attempt to add to its principal range of services the services now provided by the other. However, the extent to

<sup>3/</sup> The area from which a bank obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations.

which such competition might be developed, with due regard for sound banking practices, appears greatly limited under the circumstances.

Although the proposed acquisition would result in the elimination of one banking office, the acquiring bank, with its larger capital base and with certain economies available to it, would be capable of significantly greater competitive effectiveness than either of the proponent banks alone. The proposed transaction would not adversely affect any other bank and, indeed, would have the potential for enhancing somewhat the level of banking competition in the Milwaukee area.

Summary and conclusion. - The acquiring bank, with the contemplated improved and additional services, would constitute an alternative source of relatively full banking services for the community. At the same time, the consequences for banking competition would not be adverse, but potentially beneficial.

The net effect of the proposed acquisition appears to be that the acquiring bank would have the advantage of being potentially a more viable and effective competitor, which would redound to the general benefit of the banking public in the area affected.

Accordingly, the Board finds that the proposed acquisition of assets and assumption of liabilities would be in the public interest.

March 12, 1965.

DISSENTING STATEMENT OF GOVERNOR MITCHELL  
WITH WHICH GOVERNOR ROBERTSON CONCURS

The record in this case clearly establishes that in the judgment of the applicant and other stockholding interests, consummation of the proposed acquisition will be to their private corporate advantage. There is no basis in the record to dispute this judgment. The record is not so clear, however, as to the consequences for the public interest.

The applicant contends that the acquiring bank will have the competitive capability to divert business from the "Big Three" banks in Milwaukee by offering a more complete line of banking services and a higher loan limit for larger businesses than heretofore available at either of the participating banks. The application lists forty-odd corporations which maintain headquarters or large plants in Milwaukee but which do not have accounts with either of the banks. From the public point of view, however, there is much more concern that small and medium-sized businesses have adequate access to bank credit. Companies as large as most of those on the list submitted have scores of credit alternatives with banks, insurance companies, and even in the capital market. Small companies have a very limited number of credit alternatives. Under this proposal, the smaller concerns in the downtown area of Milwaukee would have one less alternative, and the interest of the acquiring bank would be shifted to a more affluent clientele. Rather than adding to the convenience and needs of the residents of the immediate area, the proposed transaction is likely to have the reverse effect.

The competitive factor is alleged to be favorable because the acquiring bank will be larger. With this argument, every proposal that results in a larger bank could be supported as furthering competition. The ultimate result of a merger policy based on this premise would be to make every bank as large as any other.

It is also said that one of the participating banks is a "wholesale" bank and the other a "retail" bank and that, therefore, they are not competitive. There appears a measure of truth in this generalization because one bank has more of its total deposits in savings accounts and the time accounts in the other bank are predominantly certificates of deposit. One bank has almost no consumer credit paper, whereas in the other such loans are over 17 per cent of total net loans and discounts. But the record appears also to show the consumer credit paper is largely generated by the bank's customers rather than the bank. In short, the banks are somewhat different because of differences in some of their customers. However, it is possible to point up similarities too--namely, in the relative size of their portfolios of commercial and industrial loans, tax exempt securities, and mortgages. Clearly, each competes with the other, and other banks in the area, for time and demand deposits, and the proposed acquisition will leave one less competitor in the immediate service area.

Two new banking offices are coming into the immediate area; the area's largest bank is relocating one of its offices to a site in the downtown area, and a newly organized bank is to be located in downtown Milwaukee. These specific, concrete expressions of judgment that

the area is not overbanked undermine the contention that the proposed transaction is necessary to the growth and survival of both or either of the participating banks.

I conclude that the application should not be approved because effectuation of the proposal will lessen competition, it will not add to the public's convenience or accommodation, and there is no sustaining justification in the banking factors. This judgment may be temporarily hostile to the corporate interests of the two banks involved, but that concern should not be paramount to the public interest.

March 12, 1965.

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

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In the Matter of the		ORDER DECLARING REGISTRATION
Registration Statement of		EFFECTIVE PURSUANT TO
THE CHASE MANHATTAN BANK		SECTION 12(d) OF THE SECURITIES
		EXCHANGE ACT OF 1934.
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There has come before the Board of Governors a registration statement of The Chase Manhattan Bank, New York, New York, a member State bank of the Federal Reserve System, for registration of its Capital Stock, \$12.50 par value, on the New York Stock Exchange. The registration statement was filed with the Board and the New York Stock Exchange on February 26, 1965, pursuant to section 12(b), (c), and (d) of the Securities Exchange Act of 1934 ("Act"), and Federal Reserve Regulation F, "Securities of Member State Banks", adopted pursuant to section 12(i) of the Act. Amendment No. 1 to the registration statement was filed on March 4, 1965.

The New York Stock Exchange certified to the Board on February 26, 1965, that said Capital Stock has been approved by said Exchange for listing and registration. Under section 12(d) of the Act, registration would become effective 30 days after the date of receipt of such certification, unless the Board prescribes an earlier effective

date. The Chase Manhattan Bank and the New York Stock Exchange have requested the Board to accelerate the effective date of registration.

Upon consideration of all the circumstances, including the availability of financial and other information concerning the bank prior to the filing of the registration statement,

IT IS HEREBY ORDERED that registration of the Capital Stock, \$12.50 par value, of The Chase Manhattan Bank shall become effective immediately on the New York Stock Exchange.

Dated at Washington, D. C., this 12th day of March, 1965.

By order of the Board of Governors.

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

Absent and not voting: Chairman Martin and Governor Balderston.

(SEAL)

  
Merritt Sherman,  
Secretary.

Item No. 16  
3/12/65

For immediate release.

March 12, 1965.

The Board of Governors of the Federal Reserve System today issued an order declaring effective immediately the registration of the capital stock of The Chase Manhattan Bank on the New York Stock Exchange. This action clears the way for trading in Chase stock on the Exchange.

The 1964 amendments to the Securities Exchange Act of 1934 transferred from the Securities and Exchange Commission to the Federal bank supervisory agencies, administration of "disclosure" provisions of the 1934 Act with respect to securities of banks. Effective January 1, 1965, the Board of Governors adopted a new Regulation F, governing the application of the 1934 Act to securities of State-chartered banks that are members of the Federal Reserve System.

Chase's registration statement, which was received on February 26, was the first to be filed with the Board. Under the terms of the 1934 Act, registration would have become effective 30 days after February 26, when the Board received certification from the Exchange that the securities had been approved for listing, unless the Board prescribed an earlier date. Both Chase and the Exchange requested the Board to accelerate the effective date of the registration. In view of the fact that financial and other information concerning Chase was

available to the investing public prior to the filing of the registration statement, the Board ordered registration of Chase stock effective today.

Copies of Chase's registration statement are available for public inspection at the Board's offices in Washington, the New York Stock Exchange, and at each Federal Reserve Bank.

A copy of the Board's Order is attached.

Attachment.

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965

Mr. R. K. Grobel, Vice President,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota. 55440

Dear Mr. Grobel:

In accordance with the request contained  
in Mr. Strothman's letter of March 8, 1965, the Board  
approves the appointment of Marvin L. Knoff as an  
assistant examiner for the Federal Reserve Bank of  
Minneapolis, effective March 15, 1965.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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Item No. 18  
3/12/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 12, 1965.

CONFIDENTIAL (FR)

Mr. George D. Royer, Jr., Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri. 64106

Dear Mr. Royer:

In accordance with the request contained in your letter of March 8, 1965, the Board approves the appointment of Hugh Gordon Hueftle as an assistant examiner for the Federal Reserve Bank of Kansas City. Please advise the salary rate and the effective date of the appointment.

It is noted that Mr. Hueftle is indebted to The Commercial National Bank of Kansas City, Kansas City, Kansas. Accordingly, the Board's approval of Mr. Hueftle's appointment is given with the understanding that he will not participate in any examinations of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.