

Minutes for June 4, 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

M

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

SM

Minutes of the Board of Governors of the Federal Reserve System on Friday, June 4, 1965. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Morgan, Staff Assistant, Board Members'  
Offices

Messrs. Brill, Holland, Koch, Garfield, Partee,  
Axilrod, Bernard, and Keir of the Division  
of Research and Statistics

Messrs. Sammons, Katz, Baker, and Dahl of the  
Division of International Finance

Money market review. Mr. Axilrod described recent developments in the Government securities market, Mr. Koch commented on bank credit trends and the money supply, and Mr. Baker reviewed foreign exchange market developments. Distributed materials referred to during these presentations included tables affording perspective on the money market and on bank reserve utilization, and a table presenting data on recent operations in connection with the System's reciprocal currency arrangements.

After discussion based on this review all members of the staff who had been present except Messrs. Sherman, Kenyon, Molony, and Brill withdrew from the meeting and the following entered the room:

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Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Smith, Assistant Director, Division of Examinations  
Miss Hart, Senior Attorney, Legal Division  
Messrs. Egertson and McClintock, Supervisory Review Examiners,  
Division of Examinations

Ratification of actions. Actions taken by the available members of the Board at a meeting on June 3, 1965, as recorded in the minutes of that meeting, were ratified by unanimous vote.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on June 3, 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.

Extension of time to establish branch (Item No. 1). Pursuant to the staff recommendation in a file that had been circulated to the Board, unanimous approval was given to a letter to Princeton Bank and Trust Company, Princeton Township, New Jersey, approving an extension of time to establish a branch at U.S. Route 206 and Mt. Rose-Rocky Hill Road (also known as Cherry Valley Road). A copy of the letter is attached to these minutes as Item No. 1.

Report on competitive factors. Unanimous approval was given to the transmittal to the Federal Deposit Insurance Corporation of a report containing the following conclusion on the competitive factors

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involved in the proposed purchase of assets and assumption of liabilities of Bank of Dublin, Incorporated, Dublin, Virginia, by Peoples Bank of Radford, Radford, Virginia:

While the proposed acquisition of assets and assumption of liabilities of Bank of Dublin, Incorporated, by Peoples Bank of Radford would eliminate a small amount of competition, the overall effect of the proposed merger on competition would not be adverse.

Application of Riverside Trust Company (Items 2-4). There had been distributed a proposed order and statement reflecting approval by the Board on May 26, 1965, of the application of Riverside Trust Company, Hartford, Connecticut, for permission to merge with Bristol Bank and Trust Company, Bristol, Connecticut. (The title of the resulting bank would be United Bank & Trust Company.) There had also been distributed a dissenting statement by Governor Maisel.

Discussion of the majority statement resulted in certain changes being suggested by members of the Board for the purpose of emphasizing the anticipated results of the merger from the standpoint of the competitive situation in Bristol and the needs and convenience of the community, while on the other hand de-emphasizing the situation in Hartford, which was regarded as having less significance so far as the decision on the merger application was concerned.

Issuance of the order and statement then was authorized. Copies of the order, statement, and dissenting statement, as issued, are attached as Items 2, 3, and 4, respectively.

Messrs. Brill, Shay, Egertson, and McClintock, and Miss Hart then withdrew from the meeting.

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Civil Rights Act. Pursuant to the discussion at the Board meeting on June 2, 1965, there had been distributed under the same date a further revised draft of letter to the Bureau of the Budget on the applicability of Title VI of the Civil Rights Act of 1964 to the Federal Reserve Banks.

In discussion of this draft several additional changes of a technical nature were suggested by members of the Board. Question also was raised whether reference should appropriately be made in the letter to the legislative history, particularly on the point whether Title VI was intended to be applicable only where financial assistance through the use of appropriated funds was involved. Mr. Hackley expressed the view that this argument against the applicability of Title VI to the Federal Reserve Banks was not particularly strong, and some members of the Board were inclined to agree. Others felt that the legislative history on this point should be mentioned if it appeared reasonably conclusive.

At a certain point in the discussion, Chairman Martin reverted to the fundamental question involved and inquired whether other members of the Board were now inclined to agree with the opinion of Governor Robertson that Title VI should be interpreted as applicable to the Federal Reserve Banks. The replies were in the negative.

Chairman Martin then turned to Mr. Hackley, who said that while he regarded the question as close, he had concluded some time ago that

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Title VI did not apply to the Reserve Banks. Chairman Martin commented that emotionally he would like to take the position that Title VI did apply. However, the matter involved an interpretation of law. He continued to feel that the issue should be decided on that basis, and the weight of staff legal opinion within the System appeared to be on the side that Title VI was not applicable.

Governor Robertson observed that Mr. Hackley, in concluding that Title VI was not applicable, nevertheless had discarded all but one of the points argued by Counsel for the Federal Reserve Banks.

Governor Mitchell indicated that he had not discarded the opinion of Reserve Bank Counsel on two points. He agreed that the operations of member banks did not constitute a program or activity within the purview of Title VI, and he also agreed with Reserve Bank Counsel that the services of the Reserve Banks did not involve extension of Federal financial assistance within the meaning of Title VI. Governor Daane indicated that his views were similar to those of Governor Mitchell.

Mr. Hackley then suggested certain changes in the letter that might be made in recognition of the foregoing comments, and several of the members of the Board expressed themselves as regarding such changes favorably. Mr. Hackley added the comment, however, that his own conclusion that Title VI was inapplicable was based solely on his opinion that no program or activity within the purview of Title VI was involved.

Chairman Martin suggested that Mr. Hackley bring back to the Board a further revised draft of letter reflecting the discussion this

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morning, such revised draft also to be in a form with which Mr. Hackley was satisfied from a legal standpoint. Mr. Hackley stated that this would be done and that he would also redistribute for the Board's information portions of the Legal Division's review of the legislative history so that the Board could determine to what extent, if any, it would seem desirable to include in the letter references to the legislative history in support of the position that Title VI was not applicable to the Reserve Banks.

At Chairman Martin's request, Mr. Hackley reviewed the arguments advanced by Assistant General Counsel Hexter in support of the position that Title VI should be regarded as applying to the Reserve Banks and contrasted these arguments with his own opinion. In reply to another question from the Chairman, Mr. Hackley summarized his understanding as to the type of regulations that would have to be issued by the Reserve Banks in the event it was held that Title VI was applicable. Chairman Martin inquired of Mr. Hackley whether the latter felt that anything would be gained by calling together Counsel for the Reserve Banks for further consideration of the question, and Mr. Hackley replied that in his opinion this would serve little purpose, all of the Counsel having concluded without reservation that Title VI did not apply.

The Chairman then noted that there had also been distributed to the Board, pursuant to previous understanding, a revised draft dated June 2, 1965, of a letter to the Presidents of all Federal Reserve Banks

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regarding extension of the System's services to member banks that violated Title VII of the Civil Rights Act, which Title prohibits racial discrimination in employment practices by any employer engaged in an industry affecting commerce.

Mr. Hackley noted that the June 2 draft took into account several suggestions by members of the Board with regard to the previous draft, and he also mentioned certain additional changes that he felt would be in order.

There followed discussion during which members of the Board suggested further minor changes of language, and question was raised regarding the sanctions provided by law where violations of Title VII were involved. Mr. Hackley stated that he would furnish the Board with information on the sanctions.

The discussion concluded with an understanding that a further revised draft of the letter on Title VII would be distributed.

Investigation of BancOhio Corporation. At Chairman Martin's request, Mr. O'Connell related a telephone call that he had received last Friday afternoon from a representative of the Justice Department concerning an investigation that the Department reportedly had been conducting for some time into the operations of BancOhio Corporation, Columbus, Ohio, a registered bank holding company, on the basis of a complaint that the activities of the holding company and its subsidiary banks were in violation of provisions of the antitrust laws. It appeared

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that recently a civil investigation demand was issued by the Justice Department directing BancOhio to produce considerable documentation relating to possible violation of sections of the Sherman and Clayton Acts. According to the Justice Department the demand was issued at the request of BancOhio, which had indicated that otherwise it would not be willing to supply the information in question. Reportedly, Counsel for BancOhio then approached the Attorney General and inquired about the authority under which the demand was made, pointing out that the Federal Reserve had concurrent jurisdiction for enforcement of section 7 of the Clayton Act.

The Justice Department representative, Mr. O'Connell said, inquired whether there would be any objection to their proceeding with this investigation. Mr. O'Connell went on to say that he then got in touch with Governor Robertson, who authorized him to return the telephone call and say it was his (Governor Robertson's) view that since the Justice Department was acting under statutory authority, the Board was not in a position to say whether or not the Justice Department should proceed further and that the Board therefore could have no objection to the Department's undertaking whatever action it considered appropriate.

Mr. O'Connell also related that yesterday the Attorney General spoke with Chairman Martin by telephone and expressed some concern that if the investigation proceeded the impression might be obtained that Justice was undertaking a general investigation of bank holding companies

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under the Clayton Act, thus possibly placing the Board of Governors in the light of seeming not to be exercising its statutory responsibilities. In this connection Mr. O'Connell brought out that the Board had no statutory authority to conduct a Sherman Act investigation, although, as aforesaid, it had concurrent jurisdiction with the Justice Department under section 7 of the Clayton Act.

Mr. O'Connell brought out that expansion of the BancOhio holding company system over the past decade had been of modest proportions. However, an application to acquire an additional bank was now pending before the Board. In substance, the question presented by the telephone calls from the Justice Department appeared to be whether the Board itself wished to undertake some sort of investigation of BancOhio Corporation, presumably for alleged violation of section 7 of the Clayton Act.

Chairman Martin made supplementary comments regarding the details of his conversation with the Attorney General, following which he observed that the Board obviously could not tell the Attorney General to terminate any investigation. This left open the question whether the Board wished to give the Attorney General any advice.

In the ensuing discussion Governor Mitchell referred to the Bank Holding Company Act application that was now awaiting action and suggested that Chairman Martin might wish to say to the Attorney General that the Board in considering this application would give consideration, among other things, to the applicability of section 7 of the Clayton Act.

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Mr. Solomon stated that the BancOhio application should be ready for consideration by the Board within the near future.

Chairman Martin then stated that he would propose to tell the Attorney General that this application would be before the Board for consideration in due course, that at such time the Board would consider the matter in the light of the provisions of section 7 of the Clayton Act, but that the Justice Department would have to make its own decision on what it wanted to do with respect to the investigation currently in process.

There was general agreement that a response to the Attorney General along the lines indicated by Chairman Martin would be appropriate.

Mr. Leavitt then withdrew from the meeting.

Report by Haskins & Sells (Items 5 and 6). Under date of April 2, 1965, there had been distributed to the Board copies of the report that had just been received from the accounting firm of Haskins & Sells covering their review in 1964 of the procedures employed by the Board's examiners in examinations of the Federal Reserve Banks. The report, dated December 21, 1964, stated that the firm's review consisted principally of evaluating and discussing with representatives of the Division of Examinations revised examining programs and procedures developed by the Division, partly as a result of recommendations contained in the firm's report of December 20, 1963.

In a memorandum dated May 25, 1965, which also had been distributed to the Board, the Division of Examinations discussed the

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accountants' report and stated that the Division had no substantive disagreement with the views expressed therein. The concept of the examination function outlined in the report corresponded with the understanding of the Division of Examinations, which assumed that it also was in accord with the Board's views.

The memorandum referred to a letter from Haskins & Sells to Governor Shepardson dated April 8, 1965, which dealt in part with the possibility that the firm might assist the Division of Examinations during 1965 in working out problems and refining the revised audit programs and procedures, with particular emphasis on the areas referred to in the firm's 1964 report. One specific area in which assistance might be rendered was the development and application of statistical sampling techniques to the examination procedures. Later in the year 1965 the firm would propose to visit one of the Reserve Banks during the course of the examination thereof by the Board's examiners, at which time the primary purpose would be to observe the entire examination procedure, with emphasis on observing the effectiveness of the refined procedures and resolving problems that had developed in applying them. The Division of Examinations indicated general agreement with these proposals by Haskins & Sells.

Governor Shepardson related the substance of conversations that he had had with a representative of Haskins & Sells, following which he recommended that the firm be retained by the Board for the purpose of

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providing services along the lines indicated in the letter of April 8, 1965. He also recommended that the firm be retained to examine the Board's books and accounts for the year 1965.

After discussion, Governor Shepardson's recommendations were approved unanimously. Copies of the letters sent to Haskins & Sells pursuant to this action are attached as Items 5 and 6.

All members of the staff except Mr. Sherman then withdrew from the meeting.

Building plans (Items 7 and 8). Governor Shepardson referred to a recent discussion of the Board in executive session regarding plans for an annex building and a proposal for doing certain remodeling work including enlargement of dining facilities in the present building. At that time, he noted, the Board concluded that satisfactory arrangements could be made for any necessary enlargement of dining facilities within the present building, rather than to include such facilities in the proposed annex. The Board had decided to defer final decision on this phase of the program for remodeling within the present building and to proceed with plans for the annex with no provision for dining facilities there other than for the possible use of the large meeting room for occasional large luncheons. Governor Shepardson noted that the Board had also concluded that it should now pay the architects, Harbeson Hough Livingston & Larson, for such portion of the agreed-upon fee for services rendered (including the plans for remodeling of kitchen and dining facilities in the present building) in accordance with article 4,

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paragraph (a)(1) of the Board's contract with that firm dated December 7, 1962, as amended.

Governor Shepardson went on to say that there still remained the problem of space and how the Board should proceed to provide adequate space to meet its needs in the future. A question had been raised by Governor Balderston at the earlier discussion as to whether it would be possible to continue to use the present space in the Federal Deposit Insurance Corporation building and perhaps to increase the space under lease in that building, while following up on the Loewy-Snaith proposals for alterations to the interior of certain parts of the Board's present building designed to improve space utilization, appearance, and working conditions.

With respect to the latter point, Governor Shepardson said that Mr. Snaith had called him on the telephone yesterday to inquire as to the Board's thinking with respect to the presentation made by that firm on May 18, 1965. During the conversation, Mr. Snaith commented that the possible layout that he had presented on May 18 sought to provide a maximum possible capability in the present building, rather than an optimum utilization of the building, considering such factors as appearance and convenience of working arrangements. Mr. Snaith had indicated that if the Board did not feel that it needed to seek maximum space utilization, his firm could develop a more attractive plan than had been submitted on May 18.

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Governor Shepardson then turned to the matter of space in the Federal Deposit Insurance Corporation building, stating that he had discussed with Chairman Randall of that Corporation the possibility of extending the Board's lease on space it now was using and of possibly increasing such space. Mr. Randall had indicated that the Corporation expected the Board to vacate the space it was now using when the lease ran out in 1968. There was a high probability that the Corporation would not wish to renew the present lease on the grounds that its own plans called for more space than was presently available--in fact, it had recently terminated a lease with another agency for a smaller amount of space. Mr. Randall had also commented that so far as he was concerned plans for space needs during the next few years should be based on the assumption that the present general arrangement for bank supervision at the Federal level would continue essentially unchanged.

Referring again to the Board's recent discussion in executive session, Governor Shepardson recalled that there appeared to be agreement that plans for an annex building should go ahead, although the suggestion had been made that a different architectural firm should be considered. One possibility would be to proceed with the underground garage facilities and the first floor of the annex building and with obtaining such additional space in the present building as might be made available under a layout such as that presented by the Loewy-Snaith firm. However, Governor Shepardson noted that the costs of that

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portion of the annex building would probably run in the neighborhood of \$4,000,000 and that Loewy-Snaith had made a rough estimate of costs of around \$2,250,000 for alterations to the present building along the lines of their May 18 layout. Thus, the probable investment if such a program were followed would be such that the Board might better be advised to go ahead with the entire annex building. Since Chairman Randall was firm in feeling that the Federal Deposit Insurance Corporation could not make additional space available and that they probably would not be in a position to renew the present lease when it expired, Governor Shepardson said that he had reached the conclusion that the Board should proceed with plans for the annex and that he would so recommend. In addition, as to the Loewy-Snaith study, Governor Shepardson said that he thought it probably would be worthwhile for the Board to authorize the second stage of the proposal outlined in the Board's letter of April 2, 1965; that is, that the Board should authorize the next step at a cost of \$12,500, which would involve the preparation of preliminary designs to show the appearance of the basic systems of office layout including sketches, plans, and renderings, as well as estimates of the cost of altering the interiors in certain portions of the Board's present building. Governor Shepardson noted that this would still be in terms of a proposal for the Board's consideration but that it seemed to offer sufficient prospects of improving the utilization and appearance of the present building to justify the expenditure involved. Such work would

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require about three months, he understood. Accordingly, Governor Shepardson said that he would recommend (1) that the Board request the firm of Harbeson Hough Livingston & Larson to proceed with preparation of preliminary plans for an annex building along the general lines of the structure that had been discussed and (2) that the Board request the firm of Loewy-Snaith to proceed with the second phase of its proposal referred to in the Board's letter of April 2, namely, the preparation of designs and sketches, plans, and renderings, along with cost estimates, for alterations to portions of the Board's present building to improve space utilization, appearance, and working conditions.

If the Board concurred in the foregoing recommendations, Governor Shepardson said that it would be necessary to make at least a tentative determination as to which offices and divisions would remain in the present building and which would move to the annex building, in order that planning by either the architects or the Loewy-Snaith firm could proceed most effectively. His study of the matter suggested that, in addition to the Board members' offices, it appeared to him that the Board definitely should plan to keep in the present building the Office of the Secretary, the Legal Division, the Division of Research and Statistics, and the Division of International Finance; and that it definitely should plan to locate in the annex the Personnel Division, Division of Administrative Services, Controller's Office, Office of Defense Planning, and Division of Data Processing. Depending on the amount of space needed

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and available, location of the Division of Examinations and the Division of Bank Operations would have to be determined later. On this tentative basis, the firm of Loewy-Snaith could be asked to proceed with specific plans for remodeling certain office areas in the present building, although if the Board should ultimately decide to undertake such work he (Governor Shepardson) would assume that the work in perhaps only one or possibly two areas would be undertaken at the outset.

Governor Balderston commented that in the light of Governor Shepardson's report it appeared clear to him that the Board should proceed promptly toward the erection of an annex building. He also would favor authorizing the second stage report from Loewy-Snaith regarding improvement in space arrangements in the present building.

Governor Daane inquired as to the degree of firmness that Chairman Randall had indicated with respect to Board space in the FDIC building, to which Governor Shepardson responded that Mr. Randall had not stated that the Board would need to vacate such space in three years but he was firm in saying that he did not feel additional space could be made available or that the Corporation would wish to renew the present lease. However, he (Governor Shepardson) felt sure that if the Board had a definite program underway and needed, say, another year to complete a building, Mr. Randall and others at the Corporation would wish to be entirely cooperative. On the other hand, it seemed clear that the Board could not get additional space in the Corporation's building and that it should not expect to retain the present space much beyond 1968.

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Chairman Martin remarked that, quite aside from the availability of space in the FDIC building, he personally felt that the Board would be better off to give up the space in that building as part of its longer-run program.

Governor Mitchell stated that he had a different judgment than any that had been indicated regarding building plans. First, the Board had not decided what it would have at its defense relocation facility at Culpeper, Virginia. He still felt it desirable to have some working facilities at that location--in fact he would not favor a standby facility unless it was operable. He did not feel that plans for an annex should be designed until a decision had been made on the relocation facility. Second, because of the disadvantages of having the Board's operations in more than one building, one could argue for abandoning the present building and constructing a larger one that would adequately meet all of the Board's needs--but he had no expectation that such a program would be acceptable to anyone. He did not believe that the Board's present building provided the amount and kind of space that could be gotten from it, and thus he felt that steps should be taken to improve the utilization of this building along the lines suggested by the Loewy-Snaith study. It might be possible to accommodate the staff's needs in the present building for some years to come, particularly if the defense facility were made operable and some functions transferred there. However, while favoring Governor Shepardson's proposal for having the second

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stage of the Loewy-Snaith proposal undertaken, he thought the Board could get along for several years with its existing building and he would not be disposed to proceed with plans for an annex building at this time. Third, if plans were to be undertaken for an annex, Governor Mitchell said that he was not favorably impressed with the architectural firm of Harbeson Hough Livingston & Larson. When the Board went ahead with plans for an annex he would like to think that the Federal Reserve would be putting up another outstanding building, and, on the basis of what he had seen of the present firm, he would like to see the Board employ another architect for any such annex building.

Governor Daane said that he felt that the Board should go ahead with the proposal to make the present building of maximum use and attractiveness, and he would go along with that part of Governor Shepardson's recommendation in authorizing the Loewy-Snaith firm to prepare specific plans. This might take care of the Board's needs for some time, but he believed that at least preliminary plans for an annex building should be prepared, without any commitment at this stage for construction. He would also give serious consideration to Governor Mitchell's suggestion regarding making the defense facility operable. If these two things were done, the Board might find its present building adequate for some years to come. He would also wish to plan for an annex, but he did not have a judgment as to an architect on the basis of his present knowledge.

Governor Robertson said that he felt this was the wrong time to be going ahead with construction of an annex. However, Governor Shepardson's

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report today indicated that the Board should proceed to get plans for such a building so that it could move ahead if that became necessary. Within another year it might be possible to determine more clearly whether such a building was needed. As to the architect, he had no judgment to express. With respect to the Loewy-Snaith proposal, Governor Robertson said that he had doubts about the feasibility of remodeling the present building along the lines of their layout presented on May 18. It would be a great mistake to do anything that would damage the present building. Thus, he would make plans for an annex and he would get whatever was necessary in the way of specific proposals from Loewy-Snaith, but he would think a long while before undertaking a major remodeling of the existing building. Governor Robertson also said that he hoped the Board would consider within the next few days the question of the location of a computer center at the defense facility, and he believed that this would bear a definite relationship to the questions raised by Governor Mitchell earlier at this meeting. He also said that he agreed with the view expressed by Chairman Martin that in the longer run the Board should not contemplate using space in the FDIC building, that it ought to have its own facilities.

Chairman Martin said that it appeared that the Board came out fairly clearly in favor of proceeding with the second stage of the Loewy-Snaith proposal for remodeling portions of the Board's present

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building. As to the annex, at least a majority felt that the Board should proceed to obtain preliminary plans, and this would no doubt take the better part of a year or perhaps longer. As to Governor Mitchell's comment about the present architects, Chairman Martin felt that if a different firm were to be employed, a considerable delay might occur in making a selection and getting them started on the development of plans. He was confident Harbeson Hough Livingston & Larson had competence to produce plans for a good building; the Board might not care to use such plans and it might later on consider another architect, but it seemed to him wiser to go ahead with that firm at this time than to start the selection of a new architect.

Governor Shepardson noted that under the existing contract with the Livingston firm the Board could terminate the arrangement at any time and pay them for services rendered to date. However, the firm had been the architects for the present building, it had prepared plans for an annex building in the early 1940's, and when the Board decided in 1962 that it would not need a building of the size that had been designed in the 1940's as an annex, it quite naturally turned to the same firm for the purpose of discussing a modified annex building. When he had talked with Mr. Livingston earlier, Governor Shepardson said that he had expressed the view that a modified annex building should complement the present building. However, the Board had expressed no definite view on architectural style for an annex and he was confident that the present architects could adapt to whatever style the Board desired.

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Chairman Martin said there was a rational reason for using the present firm that had designed the present building. The firm took great pride in this building and it was quite understandable that in thinking about an annex it would think in terms of an architectural style that would blend with the present building. He had no doubt but that the Livingston firm had the technical competence to design many other styles of building if the Board desired that they do so.

The Chairman then asked whether there was agreement that the Loewy-Snaith firm should be requested to proceed with the second phase of their proposal, namely, the development of specific plans and cost estimates for improving the space utilization, appearance, and working conditions in the present building, such plans and estimates to cost not more than \$12,500. There was unanimous agreement that the firm should be requested to proceed in that manner.

Governor Shepardson then inquired whether there was agreement that the firm of Harbeson Hough Livingston & Larson should be compensated at this time for architectural services rendered to date, in accordance with the contract of December 7, 1962, as amended, including payment for architectural and engineering services rendered in connection with plans for remodeling kitchen and dining facilities, and the Board unani-  
mously authorized payment for such services.

During further discussion, Chairman Martin stated that the Board seemed to be quite close to agreement on asking the Livingston firm to

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prepare preliminary plans for an annex building. He noted that Governor Mitchell had indicated disagreement with this procedure, but he pointed out that the Board had been discussing this general subject for several years and he expressed doubt that it would be possible to change the program along the lines indicated by Governor Mitchell at this stage and still produce preliminary plans for an annex within the next year or a little more. Accordingly, it might be best if the Board would proceed with Governor Shepardson's recommendation and for Governor Mitchell to express his dissent.

Governor Mitchell indicated that he would follow this procedure, and Governor Daane stated that he also wished to dissent. Accordingly, with Governors Mitchell and Daane dissenting, approval was given to letters to the firms of Harbeson Hough Livingston & Larson, and Raymond Loewy/William Snaith, Inc., in the form of attached Items 7 and 8.

The meeting then adjourned.

Secretary's Notes: Subsequent to the meeting, the Board (Governors Balderston, Shepardson, Mitchell, and Daane) authorized Mr. O'Connell, Assistant General Counsel, to inform the Federal Reserve Bank of Atlanta that it was authorized to comply with a request of the District Supervising Examiner (Atlanta) of the Federal Deposit Insurance Corporation for information and data relating to the reserve position, borrowings, and flow of return items of the Five Points National Bank of Miami, Miami, Florida, for various dates, it being understood that the Corporation was preparing to issue a written notice of intent to terminate the status of Five Points National Bank as an insured bank pursuant to section 8(a) of the Federal Deposit Insurance Act.

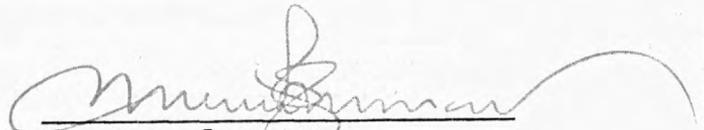
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Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated June 3, 1965, requesting that the Board authorize payment of actual necessary transportation expenses and per diem at the rate of \$16 to Jack M. Guttentag, Associate Director, Department of Finance, Wharton School of Finance and Commerce, University of Pennsylvania, and Robert Killebrew, graduate student at the University of Pennsylvania, in connection with travel to Washington D. C., and return for the purpose of attending a meeting at the Board on June 8, 1965, relating to ways and means of adding to available knowledge on the terms of mortgage loans secured by income producing properties.

Memorandum from the Division of Administrative Services recommending the appointment of Laura A. Smith as Charwoman in that Division, with basic annual salary at the rate of \$3,385 effective the date of entrance upon duty.



Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 4, 1965.

Board of Directors,  
Princeton Bank and Trust Company,  
Princeton Township, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 29, 1965, the time within which Princeton Bank and Trust Company, Princeton Township, New Jersey, may establish a branch at the southeast corner of the intersection of U. S. Route 206 and Mt. Rose-Rocky Hill Road (also known as Cherry Valley Road), Princeton Township, New Jersey.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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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 Application of  
RIVERSIDE TRUST COMPANY  
for approval of merger with  
Bristol Bank and Trust Company  
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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 Riverside Trust Company, Hartford, Connecticut, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Bristol Bank and Trust Company, Bristol, Connecticut, under the charter of the former and title of United Bank & Trust Company. As an incident to the merger, the five authorized offices of Bristol Bank and Trust Company would become branches of the resulting bank. 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 Attorney General 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 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 4th day of June, 1965.

By order of the Board of Governors.

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

Voting against this action: Governor Maisel.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
APPLICATION BY RIVERSIDE TRUST COMPANY  
FOR APPROVAL OF MERGER WITH  
BRISTOL BANK AND TRUST COMPANY

Item No. 3  
6/4/65

STATEMENT

Riverside Trust Company, Hartford, Connecticut ("Riverside"), with total deposits of \$44 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 Bristol Bank and Trust Company, Bristol, Connecticut ("Bristol Bank"), which has total deposits of \$18 million.<sup>1/</sup> The banks would merge under the charter of Riverside, which is a member of the Federal Reserve System, and the title of United Bank & Trust Company, Hartford, Connecticut ("the resulting bank"). The resulting bank would also be a member of the Federal Reserve System. Incident to the merger, the head office of Riverside would become head office of the resulting bank, and Riverside's ten branches, together with three existing and two approved but not yet established offices of Bristol Bank, would become branches of the resulting bank.

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,

1/ Deposit figures are as of December 31, 1964.

(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 competition (including any tendency toward monopoly). The Board may not approve the proposed merger unless, after considering all of these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial history and condition of Riverside and Bristol Bank are satisfactory. Riverside's capital structure is reasonably adequate, and its earnings prospects and management are favorable. Bristol Bank's capital structure is adequate. Its earnings prospects also are favorable, and its management is satisfactory. The condition of the resulting bank would be sound, its capital structure would be reasonably satisfactory, its earnings prospects would be favorable, and its management would be competent.

Neither the corporate powers of the two existing banks, nor those of the resulting bank, are, or would be, inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Both Hartford, the State capital, and Bristol, some fifteen miles to the southwest, are located in Hartford County, in the north central part of Connecticut, in a prosperous, growing industrial area with some peripheral agriculture, particularly tobacco. In 1960, Hartford had

162,000 and Bristol 46,000 inhabitants. New Britain, with a 1960 population of 82,000, is located almost between them.

Hartford, one of the main insurance centers of the United States, is served by five commercial banks and four mutual savings banks. A recently chartered national bank has not yet opened for business in Hartford. The two largest Hartford banks, which are also the largest in the State, hold about 95 per cent of the deposits of commercial banks and over 62 per cent of the deposits of all banks (including mutual savings banks) in the city.

Riverside has 3.7 per cent of deposits of commercial banks, and 2.4 per cent of deposits of all banks in Hartford. While Riverside is the third commercial bank in size in the city, it is smaller than any of the four mutual savings banks with which it competes for savings deposits, real estate mortgages, and certain other types of loans.

In the past ten years, Riverside has been involved in three mergers, which have accounted for 31 per cent and 28 per cent of its deposit and loan growth, respectively. Of Riverside's ten branches, six were acquired by merger with banks in six outlying communities, Broad Brook, Portland, New Hartford, Essex, Old Lyme, and Windsor. It does not appear from the record that the convenience and needs of any of these communities would be substantially affected by the merger.

Bristol, although developing as a residential community, is primarily an industrial center, employing about 10,000 persons in 69 plants engaged in the manufacture of machinery, metals, instruments, watches, clocks, and other products. The New Departure Division of the General Motors Corporation, employing over 3,000 workers, is the city's largest employer. Commercial expansion in recent years includes two new shopping centers, with a third in progress, and the city is carrying out a sizeable urban renewal program. The city is served by two commercial banks operating five in-city branches, and two additional branches of Bristol Bank have been approved, but not yet opened. There is one mutual savings bank in Bristol.

The lending limit of Riverside is \$320,000 and of Bristol Bank is \$175,000; the lending limit of the resulting bank would be \$495,000. Evidence in the record indicates that a number of customers and potential customers of Bristol Bank require credit in excess of its present lending limit. While the two large Hartford banks actively solicit business in Bristol, there will be increased convenience in having locally available in Bristol offices of a larger commercial bank with a lending limit of about half a million dollars.

Competition. - The nearest offices of Riverside and Bristol Bank are about ten miles apart, and the two do not appear to be in competition with one another to any important extent. The competitive

situation in Hartford, and in the State of Connecticut, would not be significantly altered as a result of consummation of the proposed merger. In Bristol, some imbalance may result, since the remaining commercial bank in the city, a \$9 million institution, instead of competing with a bank twice its size, will be faced with a rival almost seven times as large. However, the evidence in the record suggests that this small bank would not be adversely affected, and there is nothing in the record to indicate that the other smaller banks in the areas concerned would be adversely affected as a result of consummation of the merger.

Throughout Connecticut, mutual savings banks, in the range in which they function, offer vigorous competition to commercial banks. The total deposits of the mutual savings banks exceed those of the commercial banks. Indeed, the two commercial banks in Bristol now compete with a mutual savings bank which holds over two-thirds of all deposits in the community. The resulting bank would be almost exactly the size of the mutual savings bank. While there has been a recent increase in banking concentration in Connecticut, the proposed merger would not involve banks controlling a large share of total State deposits. On the contrary, it may lead to some increased competition for the mutual savings bank in Bristol.

Summary and conclusion. - Consummation of the proposed merger between two banks that are not in significant competition with one another would enable the resulting bank better to serve the needs, and would add to the convenience, of the growing, industrial community of Bristol.

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

June 4, 1965.

## DISSENTING STATEMENT OF GOVERNOR MAISEL

As I read the legislative history of the Bank Merger Act, where competitive factors are substantially adverse, a merger must promise to provide substantial offsetting benefits before the responsible agency is justified in approving it. The record in the present case shows at most that there may be some slight improvement in convenience to a few borrowers who will be accommodated in Bristol instead of having to travel fifteen miles to Hartford, when the Riverside and Bristol banks are merged.

This improvement cannot possibly outweigh the very serious increasing concentration in commercial banking which has been taking place in Hartford County. In 1950, the County enjoyed competitive services of twenty-five commercial banks. By 1964, eight of these had disappeared. Approval of the present merger will leave only sixteen, a decrease of more than a third in the past fourteen years. In this respect, Hartford County is a microcosm of the State as a whole, which went from 112 commercial banks at the end of 1950 to 66 at the end of 1964.

While the banks involved in the present merger are not the largest in the County, they are far from being the smallest. I do not think Congress intended the Bank Merger Act to lead to a situation in which three or four banking systems would completely dominate commercial life in a busy, industrial area like central Connecticut, with only a few little local banks left to preserve a flavor of individuality.

The majority gives weight to the competition offered by mutual savings banks, which divide County deposits almost equally with the commercial banks. This competition is limited to certain areas. Mutual savings banks do not compete in the critical functions, for example, of commercial loans and demand deposits. But even when the fourteen mutual savings banks which have been in Hartford County since before 1950 are added to the twenty-five commercial banks doing business there at that time, the disappearance of almost a quarter of the individual banks in a county, over a period of fourteen years, seems to me to signal a significant increase in concentration.

I would disapprove the application.

June 4, 1965.

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 11, 1965.

Haskins & Sells,  
1000 Connecticut Avenue, N. W.,  
Washington, D. C. 20036

Gentlemen:

This letter refers to the reviews your firm made in 1963 and 1964 with respect to the procedures employed by the Board's examiners in the examination of a Federal Reserve Bank, generally for the purposes outlined in the Board's letter of May 9, 1963. With further reference to those purposes and in the light of the recommendations and suggestions which resulted from the studies already completed, your letter of April 8, 1965, outlined certain proposals regarding services your firm might render during 1965 that would be of assistance to the Board's examination program. To summarize, such proposals were:

- (1) Assistance to the Division of Examinations in refining the revised programs and procedures adopted by the Division following your 1963 study and further changes made since your 1964 review. In particular, you would assist the Division in the development of statistical sampling techniques appropriate for inclusion in the Division's examination procedures.
- (2) A visit by your representatives to one of the Reserve Banks during the course of the examination of the Bank by the Board's staff. The primary purpose of such visit "would be to observe not only the examination procedures...but more particularly, to observe the effectiveness of the refined procedures and to assist in resolving the problems that have developed in applying these procedures."

The Board has reviewed and approved your proposals and desires that you undertake the outlined program during the current year. With

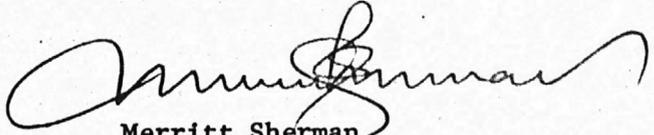
Haskins & Sells

reference to part (2), you will, as in the past, have full discretion regarding the scope of your review, and the manner in which it will be conducted; also in the choice of the examination to be the subject of your study.

It is understood that your compensation will be on the basis of your regular fee rates.

Your acknowledgment of this letter will be appreciated.

Very truly yours,



Merritt Sherman,  
Secretary.

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

Item No. 6  
6/4/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 11, 1965.

Haskins & Sells,  
1000 Connecticut Avenue, N. W.,  
Washington, D. C. 20036

Gentlemen:

It is requested that your firm undertake, as promptly after January 1, 1966, as is convenient, an audit of the books and accounts of the Board of Governors of the Federal Reserve System for the year 1965.

No restrictions have been or will be placed by the Board upon your firm as to the scope of the audit or the manner in which it is to be conducted, and you will make the audit as extensive and in such manner as appears to you to be desirable in accordance with generally accepted auditing standards. Compensation will be on the basis of the fee customarily charged by your firm for audit work of this type.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 7  
6/4/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 8, 1965.

Mr. William H. Livingston,  
Harbeson Hough Livingston & Larson,  
Architects Building,  
Philadelphia, Pennsylvania 19103.

Dear Mr. Livingston:

On May 27, 1965, you and your associates presented to the Board a plan for enlargement of the dining facilities in the Board's present building. You also reported at that time that the estimated cost of making the improvements outlined would be in the neighborhood of \$1,284,900.

The Board has given careful consideration to the plan that you presented as well as other less costly possibilities and has reached the conclusion that satisfactory arrangements can be made for any necessary enlargement of dining facilities within the present building. It has therefore decided to defer final decision on this phase of the program at this time and to proceed with plans for the annex with no provision for dining facilities there other than for the possible use of the large meeting room for occasional large luncheons.

Accordingly, the Board has authorized your firm to continue with its study and planning along lines that Governor Shepardson will be happy to discuss with you at an early date.

Pending your meeting with Governor Shepardson, the Board wishes to emphasize that in developing plans both as to the exterior and as to the interior of an annex building, there is no intent to suggest that such structure should be a replica of the present building, nor need it be of the same architectural design or style, so long as it would be harmonious with the present building and its surroundings. In other words, you should feel free in carrying forward work on the annex building to utilize such ideas of layout,

Mr. William H. Livingston

space arrangement, design, and materials as would be appropriate in a structure being built at the present time in the light of all developments to date, so long as the end result would provide a structure that would be attractive, efficient, and in keeping with the type of building constructed for the Board in 1936 and 1937.

The Board also authorized payment of your fee for architectural services in connection with the plans presented on May 27 for enlargement of dining facilities, and the Board's check for \$25,055.55--the amount submitted in your statement dated June 1, 1965, pursuant to the agreement between your firm and the Board dated December 7, 1962--as amended, will be sent to you promptly.

The Board further authorized payment of the appropriate portion of your fee for architectural and engineering services in connection with the proposed annex building at such time as you may determine and so notify the Board that approximately half of the work on the preliminary plans and estimates has been completed as provided in Article 4, paragraph (a)(1) of the Board's contract with your firm.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

1906

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8  
6/4/65ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 8, 1965.



Raymond Loewy/William Snaith, Inc.,  
425 Park Avenue,  
New York 22, New York.

Gentlemen:

This refers to the presentation to the Board on May 18, 1965, by your representatives of a possible layout for the alterations to the interior of certain portions of the Board's building designed to provide improved space utilization, appearance, and working conditions in the portions of the Board's building that would be affected.

Your presentation of the first stage of the study authorized in the Board's letter of April 2, 1965 has been carefully reviewed, and the Board has concluded that a reasonable amount of space could be created under your proposal. It therefore has authorized the next step to be taken, which would involve the preparation of preliminary designs to show the appearance of the basic systems of office layout including sketches, plans, and renderings, as well as estimates of the cost of altering the interiors. It is understood that this step will require approximately three months and that the fee will be \$12,500.

The Board suggests that you communicate with Governor Shepardson for the purpose of discussing the procedural details involved. In this connection, it may be said that the Board is not necessarily interested in obtaining the maximum possible amount of additional private office space but has in mind an improved use of the present building in terms both of a reasonable increase in office layout and an improvement in appearance and arrangement of the areas that might be affected.

Governor Shepardson will be prepared to discuss with you the particular offices toward which your attention should be primarily directed in proceeding with the second step involved in your proposal, as referred to in the Board's letter of April 2.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.