

Minutes for October 29, 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

mm

Gov. Robertson

CRB

Gov. Balderston

JS

Gov. Shepardson

SM

Gov. Mitchell

DM

Gov. Daane

DD

Gov. Maisel

SM

Minutes of the Board of Governors of the Federal Reserve System  
on Friday, October 29, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Solomon, Director, Division of Examinations  
Miss Eaton and Mrs. Semia of the Office of the  
Secretary  
Mr. Morgan, Staff Assistant, Board Members'  
Offices  
Messrs. Brill, Holland, Koch, Partee, Solomon,  
Axilrod, Eckert, and Gramley of the Division  
of Research and Statistics  
Messrs. Hersey, Katz, Sammons, Reynolds, and  
Baker of the Division of International  
Finance  
Mr. Furth, Consultant

Money market review. Messrs. Axilrod and Eckert presented a review of financial developments, with special reference to the Government securities market and bank credit. Tables were distributed on financial and monetary indicators, as well as perspective on money and capital markets and bank reserve utilization. A chart on growth in demand deposits was also distributed. The staff responded to various questions asked by members of the Board, after which Mr. Baker discussed foreign exchange market developments.

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All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Fauver, Brill, Solomon (Examinations), and Sammons, and Mrs. Semia and the following entered the room:

Mr. Hackley, General Counsel  
 Mr. Johnson, Director, Division of Personnel Administration  
 Messrs. Shay and Hooff, Assistant General Counsel  
 Mr. Leavitt, Assistant Director, Division of Examinations  
 Mr. Via, Senior Attorney, Legal Division  
 Messrs. Achor, Egertson, and Maguire of the Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on October 27, 1965, and by the Federal Reserve Banks of Cleveland, Richmond, St. Louis, Kansas City, and Dallas on October 28, 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 or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to United California Bank, Los Angeles, California, approving the establishment of three branches at specified locations in San Francisco, Pasadena, and La Jolla.	1
Letter to The Union Commerce Bank, Cleveland, Ohio, approving an extension of time to establish two branches in Shaker Heights.	2
Letter to Citizens National Bank of Dallas, Dallas, Texas, granting its request for permission to maintain reduced reserves.	3

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Item No.

Letter to the Federal Deposit Insurance Corporation regarding the application of Fidelity Bank and Trust Company, Houston, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

4

Letter to the Federal Reserve Bank of New York noting without objection an extension of the Bank's foreign travel program for 1965 to include a trip by Vice President Rozell to Ethiopia.

5

Letter to the Secretary of the Federal Advisory Council transmitting a list of topics suggested for discussion at the November 1965 meeting of the Council.

6

Letter to the Federal Reserve Bank of Richmond approving the payment of salary to Gerald L. Wilson as Assistant Cashier of the Baltimore Branch at the rate fixed by the Bank's Board of Directors.

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In connection with Item No. 1 Governor Maisel noted that the related memorandum from the Division of Examinations indicated that United California Bank proposed to acquire servicing contracts and other assets of Marble Mortgage Company, San Francisco, and to establish the three branches for which approval was requested at the present division offices of the mortgage company, with no intention of operating a general banking business at those locations. In response to his request for a review of the Board's general position in regard to acquisition of mortgage servicing contracts by State member banks, the staff brought out that this had come to be an established banking practice and was not considered to be a change in the character of a

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bank's business such as to require Board approval under the first standard condition of membership.

Governor Maisel then inquired about objections the Board had raised in regard to certain mortgage activities proposed to be undertaken by Mercantile Trust Company, St. Louis, Missouri. The staff brought out among other things that the problem in regard to the Mercantile Trust proposal had arisen partly because the bank sought to acquire the stock of a mortgage company through a wholly-owned subsidiary. United California's proposal, however, did not involve a stock acquisition. Further, the question in the Mercantile Trust matter had turned upon the definition of a branch in Federal law and the operation of out-of-State branches.

Report on competitive factors (Lebanon-Advance, Indiana). A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of State Bank of Advance, Advance, Indiana, by The Boone County State Bank, Lebanon, Indiana, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed acquisition of assets and assumption of liabilities of State Bank of Advance by The Boone County State Bank, Lebanon, would eliminate some competition between the two banks; however, in view of the relatively small size of Advance Bank, as well as the existence of other banking alternatives, the overall effect on competition should not be adverse.

Report on competitive factors (Colby, Wisconsin). After a discussion during which editorial changes in the body of the report and

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changes in the conclusion were agreed upon, unanimous approval was given to the transmittal to the Federal Deposit Insurance Corporation of a report on the competitive factors involved in the proposed consolidation of Colby State Bank and Security State Bank of Colby, both of Colby, Wisconsin. The conclusion, in the form approved, read as follows:

Security State Bank of Colby and Colby State Bank are banks of approximately equal size and competitive capability, serving the same area with the same banking services. The proposed transaction would eliminate the competition that naturally exists in these circumstances as well as the potential for further competition. While there are several alternate banking facilities fairly close to Colby, there are no others in the community, and hence the effect of the proposed consolidation on competition is adverse.

Application of Union Bank (Items 8 and 9). There had been distributed drafts of an order and statement reflecting the approval by the Board on October 13, 1965, of the application of Union Bank, Los Angeles, California, to merge with The Republic National Bank of San Diego, San Diego, California.

After a discussion during which there was agreement with several suggestions for changes in the statement, the issuance of the documents was authorized. Copies of the order and statement, as issued, are attached as Items 8 and 9.

Branches in mobile facilities (Items 10, 11, and 12). There had been distributed a memorandum dated October 26, 1965, from the Division of Examinations regarding applications from Manufacturers and

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Traders Trust Company, Buffalo, New York, for establishment of four branches at specified locations in the Towns of Porter, Lewiston, and Newfane, Niagara County, and in the Town of Clarence, Erie County. Each of the branches was to be operated two days a week, with each of two mobile units serving two of the locations. The memorandum pointed out that this was the first time the Board had been asked to approve the establishment of mobile banking offices, although at least five other applications of a similar nature were now under consideration by State and Federal Reserve Bank officials. (The present proposal was to be distinguished from pick-up and delivery services at a customer's office as agent of the customer.) The memorandum discussed guidelines established by the Superintendent of Banks of the State of New York for mobile branch facilities and commented on alternative degrees of restrictions that the Board might wish to consider if it decided to approve the establishment of the branches. However, it was the Division's recommendation that the applications be approved without unusual conditions attached. Attached to the memorandum was an analysis of the member bank's proposal prepared by the Federal Reserve Bank of New York, in which it was noted that a national bank in Albany had introduced mobile banking in the Second Federal Reserve District in June of this year under a mode of operation and through the use of facilities similar to those contemplated by Manufacturers and Traders Trust Company.

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Governor Maisel suggested that if approval of the applications would constitute a precedent decision, this fact be announced in the Federal Reserve Bulletin. In recent conversations with bankers' groups he had found a great deal of interest in whether this type of operation would be approved.

The staff brought out that the Board's general position had been that provision of mobile service, such as armored car service, constituted a branch operation; and under the definition of "branch" in Federal statutes, a separate branch permit appeared to be necessary for each stop at which such a unit operated. Approval of the instant applications would be consistent with that position, but this was the first time the Board had been requested to approve establishment of branches incident to such a plan. The proposal of Manufacturers and Traders Trust was compared with other arrangements the Board had approved, such as seasonal facilities and temporary branch quarters in a trailer during construction of permanent housing. Suggestion was made that any statement in regard to the Board's approval make clear the limitations on the arrangement.

At the conclusion of the discussion the applications of Manufacturers and Traders Trust Company were approved unanimously. A copy of the letter informing the member bank of this decision is attached as Item No. 10, and a copy of the transmittal letter to the Federal Reserve Bank of New York is attached as Item No. 11. It was

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understood that the staff would consider what type of announcement of the Board's action would seem most appropriate.

Secretary's Note: The Federal Reserve Banks were subsequently informed of the Board's action in a letter, a copy of which is attached as Item No. 12.

Request for Board letter regarding Citizens and Southern reorganization (Item No. 13). There had been circulated a memorandum from Mr. Hackley dated October 22, 1965, in connection with a request for a copy of a letter addressed by the Board on April 14, 1965, to the Federal Reserve Bank of Atlanta in regard to a reorganization proposal involving Citizens and Southern National Bank and Citizens and Southern Holding Company, both registered bank holding companies of Savannah, Georgia. The proposal contemplated that shareholders of the national bank would donate their shares in the holding company to the national bank, which at that time held such shares as trustee for those shareholders. The Board's letter stated that consummation of the proposal would not violate section 4 of the Bank Holding Company Act, that Board approval was not required under section 3(a) of the Act, and that the transaction would not constitute a purchase of stock by the bank for its own account in violation of section 5136 of the Revised Statutes. A request for the letter had been made by an officer of Bank of Indiana, National Association, Gary, Indiana, on the ground that the latter bank was "interested in the possibility of owning the

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stock of its holding company." (The bank was not at present controlled by a registered bank holding company, but was a subsidiary of a holding company affiliate that had been granted a section 301 determination.)

The Board had not published the requested letter and, under the Board's Rules Regarding Information, Submittals, and Requests, it might not be disclosed unless the Board granted a request for access by a person who stated the purpose for which he requested it, his interest in the matter, and reasons why his request should be granted. Although the present request had not complied literally with all of those requirements, it had clearly indicated the nature of the interest and the reason for the request. Moreover, the Board's letter had received some publicity in the press and as a practical matter its general substance had been made public. Disclosure of the letter might in fact be desirable in order to avoid certain misinterpretations. On balance, Mr. Hackley recommended that the request be granted. A draft of letter in those terms to Bank of Indiana was attached to the memorandum.

During discussion Mr. Hackley commented that apparently Citizens and Southern had made the substance of the Board's letter available to the press; it was evident that at least one publication must have had virtually the complete text.

The letter to Bank of Indiana was then approved unanimously. A copy is attached as Item No. 13.

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Mr. Fauver asked if the Board's action contemplated that the letter could be furnished also to any member of the press upon request, and it was agreed that this could be done.

Assignment of Mr. Melichar. After consideration of a memorandum dated October 28, 1965, from Mr. Brill, the Board approved unanimously the assignment of Emanuel Melichar, Economist in the Division of Research and Statistics, to serve on an interagency task force exploring means for providing additional capital to rural areas, this being one of the activities of the Rural Development Committee, established by Executive Order 11122, dated October 16, 1963.

All members of the staff then withdrew and the Board went into executive session.

The Secretary was advised later that during the executive session the following actions were taken:

The Board approved the recommendations in a memorandum dated October 29, 1965, from the Division of Personnel Administration (copy attached as Item No. 14) relating to a revision of the Board's regular salary schedule, effective October 10, 1965.

The Board appointed the following persons to the positions indicated on the Board's official staff, effective November 1, 1965:

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<u>Name</u>	<u>Present position</u>	<u>New position</u>
<u>Board Members' Offices</u>		
Ralph A. Young <u>1/</u>	Adviser to the Board	Senior Adviser to the Board
Robert C. Holland	Associate Director, Division of Research and Statistics	Adviser to the Board
Robert Solomon	Adviser, Division of Research and Statistics	Adviser to the Board
<u>Legal Division</u>		
David B. Hexter	Assistant General Counsel	Associate General Counsel
<u>Research and Statistics</u>		
Albert R. Koch	Associate Director	Deputy Director
J. Charles Partee	Adviser	Associate Director
Stephen H. Axilrod	Chief, Government Finance Section	Associate Adviser
Lyle E. Gramley	Senior Economist	Associate Adviser
Stanley J. Sigel	Assistant to the Director	Associate Adviser
Tynan Smith	Senior Economist	Associate Adviser
<u>International Finance</u>		
Robert L. Sammons	Adviser	Associate Director
Reed J. Irvine	Associate Adviser	Adviser
John E. Reynolds	Associate Adviser	Adviser
Ralph C. Wood	Associate Adviser	Adviser

The Board approved the payment of salaries to members of its official staff at the annual rates indicated in the list attached as Item No. 15, effective November 1, 1965.

The Board authorized deferment of the retirement of Ralph A. Young until June 30, 1967.

1/ Also Director, Division of International Finance

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The Board designated Robert C. Holland and Robert Solomon as members of the Editorial Committee of the Federal Reserve Bulletin, effective November 1, 1965.

The Board designated Daniel H. Brill as Chairman of the System Research Advisory Committee, effective November 1, 1965, succeeding Guy E. Noyes.

The meeting then adjourned.

Secretary's Notes: On October 28, 1965,  
Governor Shepardson approved on behalf  
of the Board the following items:

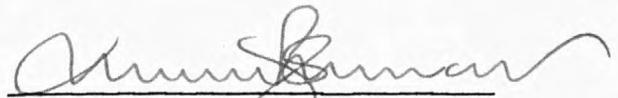
Letter to the Federal Reserve Bank of Cleveland (attached Item No. 16) approving the designation of Terry D. Barnett and Robert S. Heidler as special assistant examiners.

Letter to the Executive Secretary of the Interagency Committee on Automatic Data Processing advising of the designation of David S. Staiger, Senior Economist in the Division of Data Processing, to serve as alternate to M. H. Schwartz on the Interagency Committee.

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

Letter to the Federal Reserve Bank of New York (attached Item No. 17) approving the appointment of William S. Spaulding, Jr., as examiner.

Memorandum from the Division of Research and Statistics dated October 28, 1965, stating that it had been contemplated that the recent trip to Scandinavia by Stanley J. Sigel, Assistant to the Director, would be undertaken on the basis of per diem prescribed by the standardized Government travel regulations.

  
Secretary

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

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Item No. 1  
10/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by United California Bank, Los Angeles, California, of a branch at 601 California Street, San Francisco, California, a branch at 790 Green Street, Pasadena, California, and a branch at 7872 Ivanhoe Avenue, La Jolla, California, in connection with the acquisition of assets and mortgage servicing contracts of Marble Mortgage Company, provided the activities of these branches are limited to the negotiating, processing, and servicing of real estate mortgage loans.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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Item No. 2  
10/29/65

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

Board of Directors,  
The Union Commerce Bank,  
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to January 24, 1966, the time within which The Union Commerce Bank, Cleveland, Ohio, may establish two branches, one a drive-in facility, at the corner of Van Aken Boulevard and Farnsleigh Road, Shaker Heights, Cuyahoga County, Ohio.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.





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

3438  
Item No. 3  
10/29/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

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

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Citizens National Bank of Dallas to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 4  
10/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

The Honorable K. A. Randall, Chairman,  
Federal Deposit Insurance Corporation,  
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of October 13, 1965, concerning the application of Fidelity Bank and Trust Company, Houston, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the 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.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5  
10/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

Mr. Richard A. Debs, Secretary,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Debs:

With reference to your letter of October 25, 1965, the Board notes without objection the addition to the New York Reserve Bank's Foreign Travel Program for 1965 resulting from Mr. Rozell's travel to Ethiopia.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 6  
10/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965.

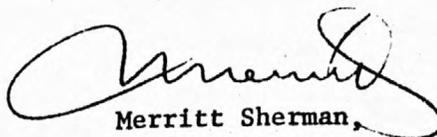
AIR MAIL

Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
38 South Dearborn Street,  
Chicago, Illinois. 60690

Dear Herb:

The Board of Governors suggests the topics shown on the attached list for discussion at the meeting of the Federal Advisory Council on November 15, 1965, and the joint meeting of the Board and the Council on November 16.

Very truly yours,

  
Merritt Sherman,  
Secretary.

Attachment

Topics for Discussion at Meeting of  
Federal Advisory Council  
November 15-16, 1965

1. Economic conditions and prospects.

- A. How does the Council appraise prospects for the U.S. economy during the remainder of this year and the first part of 1966?
- B. What are the Council's expectations with respect to business fixed capital outlays in 1966? Is it anticipated that over-capacity will result in any important industries?
- C. Does the Council anticipate that price increases will continue to be selective in character or become more general?
- D. How are business expectations being reflected in inventory policies?
- E. What are the prospects for business profits in 1966? If changes from this year's experience are foreseen, are they likely to be significant from the standpoint of need for outside capital and credit and from the standpoint of their effect on the course of business investment?

2. Banking developments.

- A. What does the Council anticipate as to year-end business demands for bank credit in relation to usual seasonal needs?
- B. To what extent have selected increases occurred in rates charged to various classes of business loan customers, and have there been other significant changes in loan terms? How have customers reacted to such increases; for example, have plans to finance in the longer-term capital markets been accelerated?
- C. How have recent developments affected the ability of banks to attract funds in the CD market or through the issuance of short-term promissory notes?
- D. How does the Council evaluate the recent slowdown in bank acquisition of municipals?

3. Balance of payments.

A. How does the Council appraise the strength of foreign demand for U.S. bank funds?

B. Have the Council's views on the effectiveness of the voluntary foreign credit restraint program changed materially since the Council met with the Board in September?

C. Are there any changes that the Council would recommend in the details of the voluntary restraint program for banks in 1966?

4. What are the Council's views on monetary and credit policy under current circumstances?

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

Item No. 7  
10/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

CONFIDENTIAL (FR)

Mr. Edwin Hyde,  
Chairman of the Board,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia 23213.

Dear Mr. Hyde:

The Board of Governors approves the payment of salary to Mr. Gerald L. Wilson as Assistant Cashier of the Baltimore Branch of the Federal Reserve Bank of Richmond at the rate of \$12,000 per annum for the period December 1 through December 31, 1965. This is the rate fixed by your Board of Directors as reported in your letter of October 14.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 8  
10/29/65

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  
UNION BANK  
for approval of merger with  
The Republic National Bank of  
San Diego  
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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 Union Bank, Los Angeles, California, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Republic National Bank of San Diego, San Diego, California, under the charter and title of the former. As an incident to the merger, the sole office of The Republic National Bank of San Diego would become a branch 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 29th day of October, 1965.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
APPLICATION OF UNION BANK  
FOR APPROVAL OF MERGER WITH  
THE REPUBLIC NATIONAL BANK OF SAN DIEGO

STATEMENT

Union Bank, Los Angeles, California ("Union"), with total deposits of \$1.1 billion,<sup>1/</sup> has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. § 1828(c)), for the Board's prior approval of the merger of that bank and The Republic National Bank of San Diego, San Diego, California ("Republic"), which has total deposits of \$6.8 million.<sup>2/</sup> As an incident to the merger, the sole office of Republic would become a branch of Union, increasing the number of its offices to 13.

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

1/ As of December 31, 1964.

2/ As of September 13, 1965.

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

Banking factors. - Union has a satisfactory financial history, and both its asset condition and capital structure are reasonably adequate. The earnings record of Union is above average and its future earnings prospects are favorable. Union's management is capable and progressive.

Republic opened for business on August 5, 1964, and, for the period ending with the calendar year, realized above average operating earnings. However, in early 1965 Republic began to experience a deposit decline and as of September 13, 1965, its deposits were down from \$9.2 million to \$6.8 million, a decrease of more than 25 per cent in less than nine months. In addition, while Republic's asset condition cannot be described as critical at this time, the bank has a substantial volume of loans which are of questionable quality. Republic, since it opened for business, has not been able to acquire and retain the services of an experienced lending officer and, as long as the bank continues to operate without such an officer, further deterioration in its asset condition seems probable. Republic's difficulties, manifested in its rather uncertain earnings prospects, are complicated by some disharmony among its directors as to a proper course for the bank's future.

Consummation of the proposed merger would remove the uncertainty concerning Republic and would not adversely affect the banking factors as they relate to Union.

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

Convenience and needs of the communities. - Union is headquartered in Los Angeles and all of its 12 offices are located in Orange and Los Angeles Counties. Republic's sole office is located in San Diego, some 128 miles southeast of Los Angeles. The convenience and needs of the communities served by Union's present offices would not be affected by the merger.

San Diego, a major seaport, has a population of about 648,000. Despite declines in certain industries in the past, notably in aviation and fishing, the condition of the local economy appears to be satisfactory. Nine commercial banks, five of them ranking among California's ten largest in terms of total deposits, operate 64 offices in the city of San Diego. Seven of these banks, including Republic, operate 14 offices in the immediate downtown area of San Diego.

Union has received approval to establish a de novo branch in downtown San Diego, but will abandon its plans in this respect if the proposed merger with Republic is approved. Thus, although Union would replace Republic, and the total number of commercial banks and banking offices serving San Diego would remain unchanged, the proposed transaction

would result in the elimination of an alternate source of banking services. However, this consideration must be weighed in the light of Republic's relatively uncertain future and the fact that the banking needs and convenience of the community are being satisfactorily met with the existing number of commercial banks and banking offices. On balance, it does not appear that the convenience and needs of the banking public would be adversely affected in any significant respect.

Competition. - Union, with about 3.3 per cent of the total deposits and .5 per cent of the offices, is the sixth largest commercial bank in California. The proposed merger would increase Union's share of the State's total commercial bank deposits by about three one-hundredths of 1 per cent. Five of the State's ten largest banks in California hold about 91 per cent of the total deposits held by the nine commercial banks operating offices in San Diego, and about 90 per cent of such deposits held by the seven commercial banks operating offices in downtown San Diego. Republic accounts for 1.0 per cent of the city-wide commercial bank deposits and 1.8 per cent of the total deposits held by the downtown commercial bank offices.

The nearest office of Union to San Diego is located nearly 100 miles distant in Orange. Union derives some business from the San Diego area, but it is nearly all of a type and volume (e.g., interim construction financing) that Republic could not handle or would not attract. It does not appear that any significant competition exists between the two banks.

As mentioned earlier, Union plans to establish a de novo branch in San Diego if its proposed merger with Republic is not approved. Thus, the transaction would foreclose such potential for competition as may exist between the two banks. In addition, the transaction may be viewed as foreclosing a desirable step toward the deconcentration of banking resources in the San Diego market. However, to attach meaningful weight to either of these considerations, it is necessary to conclude that Republic is capable of becoming, and continuing as, a significant competitive force. The evidence, as discussed under the "Banking factors" heading, rather than providing support for such a conclusion, raises doubts concerning the bank's future. Considering all the relevant circumstances, it does not appear that the merger would adversely affect any other bank, or that its consequences for banking competition in general would be significantly adverse.

Summary and conclusion. - Although consummation of the proposed merger would result in the elimination of an independent commercial bank, it does not seem probable, particularly in view of the uncertainty concerning Republic's future, that it would materially affect the banking needs and convenience of the community or that the effect on banking competition would be significantly adverse. Further, consummation of the proposed merger would afford an orderly and prompt resolution of the problems that beset Republic and which make the bank's prospects uncertain.

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

October 29, 1965.

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

Item No. 10  
10/29/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

Board of Directors,  
Manufacturers and Traders Trust Company,  
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers and Traders Trust Company, Buffalo, New York, of branches (mobile facilities) at the following locations, provided each is established within six months from the date of this letter.

- (1) 201 Lockport Street, Village of Youngstown, Town of Porter, Niagara County, New York.
- (2) 5910 Ward Road, Sanborn (unincorporated area), Town of Lewiston, Niagara County, New York.
- (3) 6488 Ridge Road, Wrights Corner (unincorporated area), Town of Newfane, Niagara County, New York.
- (4) 5820 Goodrich Road, Clarence Center (unincorporated area), Town of Clarence, Erie County, New York.

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. 11  
10/29/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965.



Mr. Fred W. Piderit, Jr., Vice President,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Piderit:

There is enclosed, for delivery to the applicant bank, a letter indicating the Board's approval of the following branches of Manufacturers and Traders Trust Company, Buffalo, New York.

- (1) 201 Lockport Street, Village of Youngstown, Town of Porter, Niagara County, New York.
- (2) 5910 Ward Road, Sanborn (unincorporated area), Town of Lewiston, Niagara County, New York.
- (3) 6488 Ridge Road, Wrights Corner (unincorporated area), Town of Newfane, Niagara County, New York.
- (4) 5820 Goodrich Road, Clarence Center (unincorporated area), Town of Clarence, Erie County, New York.

The Board has never placed restrictions on the days or hours a branch may be in operation, and does not believe such restrictions are necessary in approving the operations of mobile facilities.

The letter to Manufacturers and Traders Trust Company provides a six-month period for the establishment of each branch. The Board also has approved a six-month extension of that period. If Manufacturers and Traders Trust Company should hereafter apply for an extension, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary,

Enclosures.

3454

Item No. 12  
10/29/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

S-1972

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 9, 1965.

Dear Sir:

The Board of Governors was recently requested by a State member bank to approve the operation of mobile offices at designated out-of-town locations. These offices would be stationed at such locations on certain days and hours each week. Section 5155 of the Revised Statutes (12 U.S.C. 36), which is made applicable by section 9 of the Federal Reserve Act to the establishment of branches by State member banks, defines the term "branch" as any "place of business . . . at which deposits are received, or checks paid, or money lent." Accordingly, the Board concluded that as each location would be a place of business at which some or all of such activities would be conducted, permission to establish branches was required. Such offices may only be approved by the Board when State statute permits branch banking at such locations. The approval of the State authorities had been obtained and the Board approved the establishment of branches at these locations.

This interpretation will be published in the Federal Register and in the Federal Reserve Bulletin.

Very truly yours,

A handwritten signature in black ink, appearing to read "Merritt Sherman", written in a cursive style.

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

3455

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

Item No. 13  
10/29/65



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 2, 1965.

Mr. T. F. Gilmore, Cashier,  
Bank of Indiana, National Association,  
P. O. Box 330,  
Gary, Indiana.

Dear Mr. Gilmore:

We regret that the material sent you in response to your letter of October 1, 1965, was not the material you had in mind in making your request.

Since your letter referred to "Federal Reserve Approval of April 14, 1965", it suggests that you might be under the impression that the Board on or about that date approved an application in response to a request from Citizens and Southern National Bank. Actually, no such application or request was received or approved by the Board.

However, it is assumed that you had reference to a letter of the Board regarding a proposed change in relations between Citizens and Southern National Bank and Citizens and Southern Holding Company. Accordingly, a copy of that letter is enclosed in response to your request.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

3456

Item No. 14  
10/29/65

# Office Correspondence

Date October 29, 1965.

To Board of Governors  
From Division of Personnel Administration

Subject: General Adjustment to the  
Board's Regular Salary Schedule.

## Background:

Legislation is before the President to sign into law "An Act to adjust the rates of basic compensation of certain officers and employees of the Federal Government---", to become effective retroactive to the first day of the first pay period which begins on or after October 1, 1965. The effective date for the Board, if approved, would therefore be October 10, 1965.

This Act provides for adjustments in salaries of general schedule Government employees in grades corresponding to Grades FR-1 through FR-15 at the rate of approximately 3.6 per cent at all levels.

## Recommendations:

In keeping with the Board's policy of maintaining a salary structure for its employees comparable to that of other agencies of the Federal Government, it is recommended that the Board approve the following, subject to approval of the legislation by the President:

(1) Revision of the Board's Regular Salary Schedule retroactive to October 10, 1965, in accordance with the attached table (Attachment 1), which corresponds to the basic compensation rates established in this Act as signed by the President; and, further, to adjust accordingly the basic compensation of those employees under this schedule on October 10, 1965.

(2) Application and Implementation of Revised Salary Structure. With the approval of the Board Member in charge of internal administrative affairs, the Division of Personnel Administration shall be responsible for making adjustments in (1) rates of per diem for WAE (when actually employed) employees, (2) entrance salaries of pending appointments, etc.

(3) Administration and Procedure. The Office of the Controller and the Division of Personnel Administration will use Government regulations and interpretations as guides in deciding questions of administration and procedure.

## Exceptions

Not included in these recommendations are Board employees paid under the Metropolitan D.C. Prevailing Rate Wage Schedule (mechanics, gardeners, painters, chauffeurs, etc.) and the Interdepartmental Lithographic

Board of Governors

- 2 -

Wage Board (printing) Pay Schedule. These employees receive periodic salary adjustments as a result of annual area wage surveys.

No recommendations are made in this memorandum with regard to the annual salaries of the Board's Official Staff. It is assumed that any determination on this matter will be made by the Board, as in the past.

Attachment.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
REGULAR SALARY SCHEDULE

Basic Annual Pay Rates by Grades -- October 10, 1965

(Rates in effect July 5, 1964 to October 9, 1965 are shown  
on the second line of each grade)

Progress Steps

Grade	Step Increase	One Year Periods			Two Year Periods			Three Year Periods			10
		1	2	3	4	5	6	7	8	9	
FR-1	119	3507	3626	3745	3864	3983	4102	4221	4340	4459	4578
	115	3385	3500	3615	3730	3845	3960	4075	4190	4305	4420
FR-2	129	3814	3943	4072	4201	4330	4459	4588	4717	4846	4975
	125	3680	3805	3930	4055	4180	4305	4430	4555	4680	4805
FR-3	140	4149	4289	4429	4569	4709	4849	4989	5129	5269	5409
	135	4005	4140	4275	4410	4545	4680	4815	4950	5085	5220
FR-4	156	4641	4797	4953	5109	5265	5421	5577	5733	5889	6045
	150	4480	4630	4780	4930	5080	5230	5380	5530	5680	5830
FR-5	171	5181	5352	5523	5694	5865	6036	6207	6378	6549	6720
	165	5000	5165	5330	5495	5660	5825	5990	6155	6320	6485
FR-6	192	5702	5894	6086	6278	6470	6662	6854	7046	7238	7430
	185	5505	5690	5875	6060	6245	6430	6615	6800	6985	7170
FR-7	207	6269	6476	6683	6890	7097	7304	7511	7718	7925	8132
	200	6050	6250	6450	6650	6850	7050	7250	7450	7650	7850
FR-8	228	6869	7097	7325	7553	7781	8009	8237	8465	8693	8921
	220	6630	6850	7070	7290	7510	7730	7950	8170	8390	8610
FR-9	254	7479	7733	7987	8241	8495	8749	9003	9257	9511	9765
	245	7220	7465	7710	7955	8200	8445	8690	8935	9180	9425
FR-10	280	8184	8464	8744	9024	9304	9584	9864	10144	10424	10704
	270	7900	8170	8440	8710	8980	9250	9520	9790	10060	10330
FR-11	306	8961	9267	9573	9879	10185	10491	10797	11103	11409	11715
	295	8650	8945	9240	9535	9830	10125	10420	10715	11010	11305
FR-12	368	10619	10987	11355	11723	12091	12459	12827	13195	13563	13931
	355	10250	10605	10960	11315	11670	12025	12380	12735	13090	13445
FR-13	435	12510	12945	13380	13815	14250	14685	15120	15555	15990	16425
	420	12075	12495	12915	13335	13755	14175	14595	15015	15435	15855
FR-14	508	14680	15188	15696	16204	16712	17220	17728	18236	18744	19252
	490	14170	14660	15150	15640	16130	16620	17110	17600	18090	18580
FR-15	590	17055	17645	18235	18825	19415	20005	20595	21185	21775	22365
	570	16460	17030	17600	18170	18740	19310	19880	20450	21020	21590

Annual Salaries  
Approved for Members of  
Board's Official Staff  
effective November 1, 1965

<u>Name and Title</u>	<u>Division</u>	<u>Annual Salary</u>
<u>Board Members</u>		
Ralph A. Young, Senior Adviser to the Board and Director, Division of International Finance		\$27,500
Robert C. Holland, Adviser to the Board		26,000
Robert Solomon, Adviser to the Board		25,000
Charles Molony, Assistant to the Board		24,500
Robert L. Cardon, Legislative Counsel		23,500
Clarke L. Fauver, Assistant to the Board		20,250
<u>Secretary's Office</u>		
Merritt Sherman, Secretary		26,500
Kenneth A. Kenyon, Assistant Secretary		22,500
Arthur L. Broida, Assistant Secretary		21,000
Karl E. Bakke, Assistant Secretary		19,750
Elizabeth L. Carmichael, Assistant Secretary		16,000
<u>Legal</u>		
Howard H. Hackley, General Counsel		26,500
David B. Hexter, Associate General Counsel		25,000
Thomas J. O'Connell, Assistant General Counsel		24,500
Jerome W. Shay, Assistant General Counsel		21,000
Wilson L. Hooff, Assistant General Counsel		18,750
<u>Research and Statistics</u>		
Daniel H. Brill, Director		26,500
Albert R. Koch, Deputy Director		26,000
J. Charles Partee, Associate Director		25,000
Frank R. Garfield, Adviser		23,000
Kenneth B. Williams, Adviser		22,500
Tynan Smith, Associate Adviser		21,000
Lewis N. Dembitz, Associate Adviser		20,750
Stanley J. Sigel, Associate Adviser		20,500
Lyle E. Gramley, Associate Adviser		20,000
Stephen H. Axilrod, Associate Adviser		20,000

<u>Name and Title</u>	<u>Division</u>	<u>Annual Salary</u>
<u>International Finance</u>		
Robert L. Sammons, Associate Director		\$23,500
Arthur B. Hersey, Adviser		23,000
Samuel I. Katz, Adviser		22,000
John E. Reynolds, Adviser		22,000
Reed J. Irvine, Adviser		21,000
Ralph C. Wood, Adviser		21,000
<u>Examinations</u>		
Frederic Solomon, Director		25,500
Brenton C. Leavitt, Assistant Director		22,500
Glenn M. Goodman, Assistant Director		20,500
James C. Smith, Assistant Director		20,000
Andrew N. Thompson, Assistant Director		20,000
Lloyd M. Schaeffer, Chief Federal Reserve Examiner		20,000
<u>Bank Operations</u>		
John R. Farrell, Director		25,000
John N. Kiley, Assistant Director		20,500
M. B. Daniels, Assistant Director		19,250
<u>Personnel Administration</u>		
Edwin J. Johnson, Director		24,000
H. F. Sprecher, Jr., Assistant Director		19,500
<u>Administrative Services</u>		
Joseph E. Kelleher, Director		21,000
Harry E. Kern, Assistant Director		16,000
<u>Controller's Office</u>		
John Kakalec, Controller		17,000
Sampson H. Bass, Assistant Controller		15,000
<u>Defense Planning</u>		
Innis D. Harris, Coordinator		22,000
<u>Data Processing</u>		
Maurice H. Schwartz, Director		24,500
Lee W. Langham, Assistant Director		17,000

3461

Item No. 16  
10/29/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 28, 1965



Mr. Harry W. Huning, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of October 25, 1965, the Board approves the designation of Terry D. Barnett and Robert S. Heidler as special assistant examiners for the Federal Reserve Bank of Cleveland.

Appropriate notations have been made of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmicheal,  
Assistant Secretary.



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

3462

Item No. 17  
10/29/65

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1965

Mr. Fred W. Piderit, Jr., Vice President,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Piderit:

In accordance with the request contained in your letter of October 27, 1965, the Board approves the appointment of William S. Spaulding, Jr., at present an assistant examiner, as an examiner for the Federal Reserve Bank of New York. Please advise the salary rate and the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.