

Minutes for January 24, 1966

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

W

Gov. Robertson

CRB

Gov. Balderston

LB

Gov. Shepardson

MS

Gov. Mitchell

DM

Gov. Daane

SP

Gov. Maisel

Minutes of the Board of Governors of the Federal Reserve System on Monday, January 24, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Associate General Counsel
Mr. Shay, Assistant General Counsel
Mr. Smith, Associate Adviser, Division of Research and Statistics
Mr. Leavitt, Assistant Director, Division of Examinations
Miss Eaton, General Assistant, Office of the Secretary
Miss Hart and Mr. Forrestal, Senior Attorneys, Legal Division
Mr. Fisher, Senior Economist, Division of Research and Statistics
Mr. Lawrence, Economist, Division of Research and Statistics
Messrs. Egertson and Maguire, Supervisory Review Examiners, Division of Examinations
Mr. Achor, Review Examiner, Division of Examinations

Ratification of actions. Actions taken at a meeting of the available members of the Board on Friday, January 21, 1966, as recorded in the minutes of that meeting, were ratified by unanimous vote.

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

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Item No.

Letter to The Connecticut Bank and Trust Company,
Hartford, Connecticut, approving the establish-
ment of a branch at Woodland Street and Asylum
Avenue.

1

Letter to Lafayette Trust Company, Easton,
Pennsylvania, approving the establishment of
a branch at 516 March Street and an investment
in bank premises.

2

Letter to The Peoples State Bank of Holland,
Holland, Michigan, approving an extension of
time to establish a branch at 697 Maple Avenue.

3

Report on competitive factors. There had been distributed a
draft of report to the Comptroller of the Currency on the competitive
factors involved in the proposed acquisition of Liberty National Bank
and Trust Company, Buffalo, New York, by The Chase Manhattan Bank
(National Association), New York, New York.

After discussion, relating principally to defining the extent
of competition between Chase and Liberty, unanimous approval was given
to the transmittal of a report to the Comptroller containing a conclusion
in the following form, with conforming changes in the body of the report:

The proposed acquisition of Liberty National Bank and
Trust Company, Buffalo, New York, by The Chase Manhattan
Bank (National Association), New York, New York, would
eliminate whatever competition now exists between the two
banks as well as a sizable independent bank in upper New
York State, which has indicated an ability to provide
effective competition on its own. The overall effect of
the proposal on competition would be adverse.

In the form in which it was approved, the report contained the
following special paragraph:

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In order to avoid any misunderstanding, this report should not be interpreted as indicative of the Board's views as to whether or not the proposed transaction falls within the provisions of the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), or as to whether or not the proposed transaction would violate either section 5136 or section 5155 of the United States Revised Statutes (12 U.S.C. 24, 36), or section 7 of the Clayton Act (15 U.S.C. 18). Briefly, sections 5136 and 5155, respectively, restrict the authority of a national bank to purchase corporate stock for its own account and to establish branches, while section 7 of the Clayton Act, among other things, prohibits the acquisition of stock of one corporation by another where the effect may be substantially to lessen competition, or to tend to create a monopoly.

Application of Reading Trust Company (Items 4 and 5). There had been distributed drafts of an order and statement reflecting the Board's approval on January 18, 1966, of the application of The Reading Trust Company, Reading, Pennsylvania, to merge with The National Bank of Hamburg, Hamburg, Pennsylvania.

The issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 4 and 5.

Request to review staff memoranda (Item No. 6). A request had been received from Mark H. Willes, a doctoral candidate at Columbia University, for permission to review staff memoranda covering the outlook for general business conditions referred to in minutes of meetings of the Federal Open Market Committee, with particular reference to the period 1952-1960. A memorandum from Mr. Sherman dated January 21, 1966, on the subject had been distributed. Mr. Sherman pointed out that at the time the Open Market Committee minutes for 1936-1960 were placed

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in National Archives, it was contemplated that additional materials such as memoranda incorporated in the minutes by reference would be made available on some basis--perhaps through deposit of copies in National Archives, or perhaps in response to individual requests at the Board. Authorization had been granted to several scholars, including Professors Chandler and Wicker to review such records, although requests thus far approved had related to earlier years than the 1952-1960 period mentioned by Mr. Willes.

After discussion, the request of Mr. Willes was approved; a copy of the letter sent to him is attached as Item No. 6.

The Board requested Mr. Sherman to study the question of transferring various Open Market Committee staff documents to the custody of National Archives, and to submit recommendations to the Board.

Report on S. 2598 (Item No. 7). There had been distributed to the Board a memorandum from the Legal Division dated January 19, 1966, concerning a request from Chairman Robertson of the Senate Banking and Currency Committee for the views of the Board on S. 2598, a bill "To authorize the establishment of Federal mutual savings banks." The memorandum pointed out that the Board had previously considered and reported on similar bills on this subject. In its last report, to the Bureau of the Budget on March 20, 1964, the Board stated that it had no objection in principle to the proposed legislation, although it raised

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questions concerning those provisions that (1) apparently would permit Federal mutual savings banks to branch across State lines and (2) would permit such banks to pay interest on deposits without limitation.

S. 2598 was essentially the same as the draft bill discussed in the Board's letter of March 20, 1964, and it was assumed that the Board would wish to express the same reservations concerning it. In addition, the Board might wish to recommend that the merger standards contained in S. 2598 be made to conform to whatever legislation the Congress might enact with respect to mergers of commercial banks.

After discussion, during which question was raised about the desirability of providing insurance coverage for some mutual savings banks under the Federal Deposit Insurance Act and for others through the proposed Federal Savings Insurance Corporation, unanimous approval was given to a letter to the Chairman of the Senate Banking and Currency Committee in the form attached to these minutes as Item No. 7.

Report on S. 2561 (Item No. 8). The Chairman of the Senate Committee on Banking and Currency had requested the views of the Board concerning S. 2561, a bill cited as the "Federal Deposit and Share Account Insurance Act of 1966." A memorandum from the Legal Division dated January 19, 1966, which had been distributed to the Board, recalled that on August 9, 1965, the Board reported favorably to the Budget Bureau on similar proposed legislation, with one qualification. The Board recommended that the section with respect to standby regulation of deposit

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interest rate ceilings be amended to provide that ceilings in effect on the date of the enactment of the legislation should continue in force until rescinded or modified. S. 2561 incorporated that recommendation of the Board.

Unanimous approval was given to a letter to the Chairman of the Senate Banking and Currency Committee in the form attached to these minutes as Item No. 8.

The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 9) approving the appointment of Robert A. Hoffmann as assistant examiner.

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

Transfer

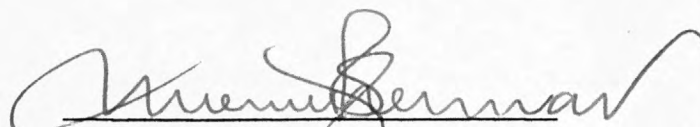
Constance J. Comella, from the position of Stenographer in the Division of Examinations to the position of Stenographer in the Division of Administrative Services, with no change in basic annual salary at the rate of \$4,641, effective January 30, 1966.

Advance of sick leave

Eunice M. Boyd, Secretary, Office of the Controller, for a period of 26 days beginning January 19, 1966.

Acceptance of resignation

Nancy H. Teeters, Economist, Division of Research and Statistics, effective January 28, 1966.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
1/24/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1966



Board of Directors,
The Connecticut Bank and Trust Company,
Hartford, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Connecticut Bank and Trust Company, Hartford, Connecticut, of a branch at the southeast corner of Woodland Street and Asylum Avenue, Hartford, Connecticut, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
1/24/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1966

Board of Directors,
Lafayette Trust Company,
Easton, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Lafayette Trust Company, Easton, Pennsylvania, of a branch at 516 March Street, Easton, Pennsylvania, provided the branch is established within six months from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$6,000 in bank premises incident to the establishment of the branch approved in this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

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

Item No. 3
1/24/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1966



Board of Directors,
The Peoples State Bank of Holland,
Holland, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to July 22, 1966, the time within which The Peoples State Bank of Holland, Holland, Michigan, may establish a branch at 697 Maple Avenue, Holland, Michigan.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 4

1/24/66

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

In the Matter of the Application of
THE READING TRUST COMPANY
for approval of merger with
The National Bank of Hamburg

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by The Reading Trust Company, Reading, Pennsylvania, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The National Bank of Hamburg, Hamburg, Pennsylvania, under the charter and title of The Reading Trust Company. As an incident to the merger, the sole office of The National Bank of Hamburg 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 24th day of January, 1966.

By order of the Board of Governors.

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

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION OF THE READING TRUST COMPANY
FOR APPROVAL OF MERGER WITH
THE NATIONAL BANK OF HAMBURG

STATEMENT

The Reading Trust Company, Reading, Pennsylvania ("Reading Trust"), with total deposits of \$71.4 million, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The National Bank of Hamburg, Hamburg, Pennsylvania ("Hamburg National"), which has total deposits of \$6.7 million.^{1/} The banks would merge under the charter and title of Reading Trust, which is a member of the Federal Reserve System. As an incident to the merger, the sole office of Hamburg National would become an office of Reading Trust, increasing the number of its authorized offices to six.

As required by law, the Board has considered, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the

^{1/} Deposit figures are as of June 30, 1965.

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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. - Financial history and condition, capital structure, earnings prospects, and general character of management are reasonably satisfactory as to both institutions. Recent earnings of Hamburg National, however, have been below the average for the Third Federal Reserve District. With the higher lending limit and greater depth in management that would be supplied by Reading Trust if the proposal were consummated, earnings of the Hamburg branch would be expected to be more on a par with those of other comparable banks in the District.

Convenience and needs of the communities. - Reading, the seat of Berks County, is about 60 miles northwest of Philadelphia, and has a population of around 100,000. The economy of the area is based on industry, producing, among other things, hosiery, textile mill machinery, chemicals, textiles, fabricated steel, paper, food products, optical goods, leather and leather products, bricks, caskets, and transportation equipment and machinery. The local economy is healthy, and promises to remain so.

Reading Trust is the third largest bank in Reading, with between a quarter and a third the total deposits of its chief competitor, American Bank and Trust Company, and two-thirds those of the next bank in size, Peoples Trust City Bank. Nevertheless, Reading Trust offers a full line of banking services. Its four existing offices, and its one additional,

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authorized office, are all located within greater Reading. Consummation of the merger will have at most a minimal effect on the convenience and needs of the Reading community, which is amply served by the three banks just mentioned, one small private bank, and a range of other financial intermediaries.

The town of Hamburg is located in the northeast sector of the County, about 17 miles north of Reading, and has a population of around 4,000. Although supported by agriculture in the surrounding area, its economy is based on diversified small industry. Some 18 separate enterprises located in the service area^{2/} of Hamburg National manufacture industrial equipment, stainless steel, textiles, iron castings, storage batteries, domestic and industrial brooms, and employ anywhere from 10 to 300 persons each.

The service area of Hamburg National has an eight-mile radius to north and south, and stretches some 12 miles to the west and six miles to the east of Hamburg. Headquartered within it are three other independent banks, in addition to Hamburg National, and the area is also served by offices of two larger, outside banks. Accordingly, the area affords ample alternative sources of banking services.

In the town of Hamburg itself, however, there is only one other bank, the Hamburg Savings and Trust Company, with total deposits around twice those of Hamburg National. The latter offers no trust services and a very limited range of installment loans. Customers who

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

want an alternative source for these services must go out of town. The lending limit of Hamburg National is only \$42,500, and from evidence in the record it appears that several industrial establishments in its service area who must now go elsewhere for funds could be adequately served by the resulting bank, with a lending limit of \$642,500. An in-town source for data-processing services, such as payroll and billing, would also be useful to industrial customers of the size found in and around Hamburg.

Competition. - While Reading Trust competes to some extent throughout Berks County, the nearest offices of the two merging banks are some 15 miles apart. Due in part to the low lending limit of Hamburg National, which prevents it from attempting to serve the more important needs of local industrial customers, there is relatively little competition between the two banks, except for the business of individuals who live in Hamburg and work in Reading, and can choose to bank either at home or near their jobs.

On a county-wide basis, American Bank and Trust Company of Pennsylvania holds approximately half the area deposits and operates 34 per cent of banking offices in the area. Reading Trust is third, with about 17 per cent of deposits and 14 per cent of offices in the area. Acquisition of Hamburg National will not significantly change these percentages. It will, however, introduce somewhat stronger competition into the northern sector of the county for business of the kinds serviced by the two larger banks having offices in the area around Hamburg.

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The Hamburg Savings and Trust Company is well established, and is not expected to suffer any adverse competitive effects as a result of the acquisition of the other local bank by Reading Trust. As mentioned above, three smaller independent banks are headquartered in or near the service area of Hamburg National, in Shoemakersville, Leesport, and Bernville. The first two are located between Hamburg and Reading, while the First National Bank of Bernville is some 16 miles southwest of Hamburg, and some 13 miles northwest of Reading. In each case, a number of banking offices intervene in the direction of both Hamburg and Reading. The proposed acquisition would not significantly affect the competitive position of any of the three banks.

Summary and conclusion. - Approval of the proposed merger would have very little effect on competition, and would serve the convenience of the Hamburg community by providing locally a broader range of services.

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

January 24, 1966.

Item No. 6
1/24/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 24, 1966.

Mr. Mark H. Willes,
Graduate School of Business,
Columbia University,
New York, New York. 10027

Dear Mr. Willes:

This will acknowledge your letter to Chairman Martin of November 19, 1965, in which you advise that you have been reading the minutes of the Federal Open Market Committee for 1936-1960 as part of the research for your doctoral thesis and that you have observed in the minutes frequent references to staff memoranda on the outlook for general business conditions. You believe it would be of substantial help in your project if you could have access to such material.

Staff memoranda conforming to your description have been preserved in the files maintained in the Board's offices here in Washington, and the Board has authorized your access to them for the purpose indicated. It would be helpful if you would let us know when you would like to visit the Board's offices for the purpose of reviewing the memoranda, in order that the necessary advance preparation may be made.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 7

1/24/66



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

January 25, 1966.

The Honorable A. Willis Robertson, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C. 20510

Dear Mr. Chairman:

This is in reply to your letter of October 5, 1965,
requesting the views of the Board on the bill, S. 2598, "To authorize
the establishment of Federal mutual savings banks".

The Board has no objection in principle to legislation
that would authorize Federal charters for mutual savings banks.
However, the Board wishes to comment with respect to those provisions
in the bill relating to (1) the branching powers proposed to be given
to Federal savings banks, (2) the power these banks would have to pay
interest on deposits without limitation, (3) the merger of mutual
savings banks, and (4) the insurance of mutual savings banks' deposits.

Section 31 of S. 2598 would, in certain circumstances,
apparently permit Federal savings banks to branch across State lines.
It is the Board's view that the branching powers of Federal savings
banks should be no broader than those applicable to other banks.

Section 55 of the bill would provide authority for the
Federal Home Loan Bank Board to prescribe regulations with respect to
the "additional rate" of interest that could be paid under section 53(b).
The Home Loan Bank Board, however, would have no authority to prescribe
limitations on basic interest rates. It is suggested that the bill
should provide at least standby authority to limit such rates.

Sections 32, 33, and 202 of the bill concern merger
transactions involving insured mutual savings banks. As you know,

The Honorable A. Willis Robertson -2-

measures that would amend the Bank Merger Act of 1960 (12 U.S.C. 1828(c)) are now pending before the Congress. The Board believes that whatever standards are adopted with respect to that Act should be made applicable to insured mutual savings banks whether insured under the Federal Deposit Insurance Act or by the Federal Savings Insurance Corporation.

Under Title II of the bill, the Federal Savings Insurance Corporation is required to insure deposits of Federal savings banks, and authorized to insure the deposits of State chartered savings banks. The Board questions the desirability of providing insurance coverage by two different agencies.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
1/24/66

OFFICE OF THE CHAIRMAN

January 25, 1966

The Honorable A. Willis Robertson, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C. 20510

Dear Mr. Chairman:

This is in reply to your letter of September 24, 1965, requesting the views of the Board on the bill, S. 2561, "To provide for an increase in the maximum amount of insurance coverage for bank deposits and savings and loan accounts, to protect further the safety and liquidity of insured institutions, to strengthen safeguards against conflicts of interest, and for other purposes."

The Board is in favor of the proposed legislation and recommends that it be reported favorably to the Senate by your Committee.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9
1/24/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1966

Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166

Dear Mr. Wyrick:

In accordance with the request contained in your letter of January 18, 1966, the Board approves the appointment of Robert A. Hoffmann as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

