

Minutes for March 31, 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	<u>W</u>
Gov. Robertson	<u>R</u>
Gov. Shepardson	<u>TS</u>
Gov. Mitchell	<u>MM</u>
Gov. Daane	<u>DA</u>
Gov. Maisel	<u>SM</u>
Gov. Brimmer	<u>CB</u>

Minutes of the Board of Governors of the Federal Reserve System on Thursday, March 31, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Molony, Assistant to the Board  
 Mr. Cardon, Legislative Counsel  
 Mr. Hackley, General Counsel  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Shay, Assistant General Counsel  
 Mr. Hooff, Assistant General Counsel  
 Mr. Leavitt, Assistant Director, Division of Examinations  
 Miss Eaton, General Assistant, Office of the Secretary  
 Mr. Heyde, Attorney, Legal Division  
 Messrs. Egertson and Maguire, Supervisory Review Examiners, Division of Examinations

Approved items. The following items, copies of which are attached to these minutes under the respective numbers indicated, were approved unanimously after consideration of background material that had been made available to the Board and clarification of points of information about which members of the Board inquired:

	<u>Item No.</u>
Letter to First Trust & Deposit Company, Syracuse, New York, approving the establishment of a branch at 505 East Fayette Street.	1
Letter to The Cleveland Trust Company, Cleveland, Ohio, granting an extension of time to establish a branch in Strongsville.	2

3/31/66

-2-

	<u>Item No.</u>
Letter to The Citizens' Bank Company, Ansonia, Ohio, approving its application for admission to membership in the Federal Reserve System.	3
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch in Asheville.	4
Letter to the Organization Committee, The Blueville Bank of Grafton, Grafton, West Virginia, approving the application made on behalf of the bank for admission to membership in the Federal Reserve System.	5
Letter to Old Kent Bank and Trust Company, Grand Rapids, Michigan, granting an extension of time to establish a branch at East Beltline, S.E., and 28th Street, S.E.	6
Letter to the Chairman of the House Committee on Banking and Currency concerning a request for work papers relating to the examination of a State member bank.	7

Report on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The First Trust Company of Allegany County, Wellsville, New York, and The First National Bank of Cuba, Cuba, New York, was approved unanimously for transmittal to the Corporation, the conclusion being stated as follows:

Without regard to banking factors, or to the convenience and needs of the communities to be served, it appears the proposed merger of The First Trust Company of Allegany County, Wellsville, New York, and The First National Bank of Cuba, Cuba, New York, would have an adverse effect on competition. Existing competition between participants would be eliminated. Moreover, the merger would represent the absorption of the tenth small bank by Allegany County's two largest banking institutions during the past 10 years.

3/31/66

-3-

Application of Lake City Bank (Items 8 and 9). There had been distributed a proposed order and statement reflecting the Board's approval on March 28, 1966, of the application of Lake City Bank, Warsaw, Indiana, to merge The Commercial State Bank, Silver Lake, Indiana.

The issuance of the order and statement was authorized; copies of the documents, as issued, are attached as Items 8 and 9.

Testimony on cease and desist bill. Governor Robertson referred to testimony to be given next week before the Subcommittee on Financial Institutions of the Senate Banking and Currency Committee concerning bill S. 3158, cited as the Financial Institutions Supervisory Act of 1966. He noted that the first part of the bill covered powers that would be given to the Federal Home Loan Bank Board. His judgment was to refrain from testifying on that part of the bill, and other members of the Board agreed.

The second part of the bill, Governor Robertson continued, dealt with powers that would be given the banking agencies, including authority to issue cease and desist orders and to suspend or remove bank officers and directors. There was also provision, for which he did not understand the need, whereby the Federal Deposit Insurance Corporation would be empowered to issue subpoenas and administer oaths in connection with the liquidation of banks, and he was not sure whether the availability of such authority would be desirable. On the other

3/31/66

-4-

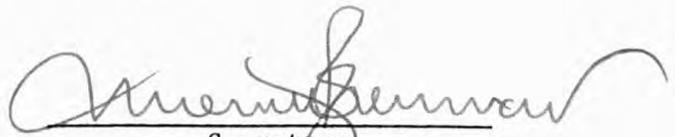
hand, unless it seemed necessary to take a position, he would dislike to oppose something like this that the Corporation had requested.

Drawing on conversations he had had with staff of the Corporation, Mr. Solomon outlined reasons why such authority might have been sought; they had to do with the unusual complications involved in certain recent liquidations.

After further discussion, Governor Robertson noted that the letter sent to the Bureau of the Budget expressing the Board's views on the bill, then in draft form, stated in rather general terms the need for strengthening of enforcement powers. On the basis of that letter, he thought it would not be inconsistent to confine the testimony to the use of such powers in the supervision of State member banks.

There was general agreement with this reasoning, and it was understood that the testimony would be presented accordingly, in a final form satisfactory to the Vice Chairman.

The meeting then adjourned.

  
Secretary

Item No. 1  
3/31/66BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 31, 1966



Board of Directors,  
First Trust & Deposit Company,  
Syracuse, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by First Trust & Deposit Company, Syracuse, New York, of a branch at 505 East Fayette Street, Syracuse, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

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

Item No. 2  
3/31/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 31, 1966

Board of Directors,  
The Cleveland Trust Company,  
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to June 1, 1966, the time within which The Cleveland Trust Company, Cleveland, Ohio, may establish a branch at 14444 Pearl Road, Strongsville, 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

Item No. 3

3/31/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 31, 1966



Board of Directors,  
The Citizens' Bank Company,  
Ansonia, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of The Citizens' Bank Company, Ansonia, Ohio, for stock in the Federal Reserve Bank of Cleveland, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
3/31/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 31, 1966

Board of Directors,  
Wachovia Bank and Trust Company,  
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, of a branch at the northeast corner of West Patton and Louisiana Avenues, Asheville, North Carolina, 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. 5  
3/31/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



March 31, 1966

Organization Committee,  
The Blueville Bank of Grafton,  
Grafton, West Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of The Blueville Bank of Grafton, Grafton, West Virginia, for stock in the Federal Reserve Bank of Richmond, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$150,000, and other capital funds of not less than \$225,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

The Blueville Bank of Grafton

-2-

It is understood that the bank does not plan to exercise fiduciary powers upon admission to membership. Should the bank at any future time desire to exercise any powers not exercised at the time of admission to membership it will be necessary, under condition of membership numbered 1, to obtain permission of the Board of Governors.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to six-months from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure

1160

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

Item No. 6  
3/31/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 31, 1966

Board of Directors,  
Old Kent Bank and Trust Company,  
Grand Rapids, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to October 17, 1966, the time within which Old Kent Bank and Trust Company, Grand Rapids, Michigan, may establish a branch in the vicinity of the intersection of East Beltline, S.E., and 28th Street, S.E., Grand Rapids, Michigan.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



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

1161

Item No. 7  
3/31/66

OFFICE OF THE CHAIRMAN

March 31, 1966

The Honorable Wright Patman,  
Chairman,  
Committee on Banking and Currency,  
House of Representatives,  
Washington, D. C. 20515

Dear Mr. Chairman:

This is in reply to your letter of March 25, 1966, in which you request that we make available to Mr. Schremp the most recent examination work papers for the completed examination of The Cleveland Trust Company.

As you know, we have made such work papers available to Mr. Schremp in the past covering examinations of Federal Reserve Banks. But examinations of member banks are made with the understanding that they will not be made public and we believe that if we made these work papers available to Mr. Schremp it would violate this understanding and make it more difficult in the future to conduct examinations of member banks.

Perhaps there is some other way to provide the information you seek. If, for example, you wish to know the scope of the examination of a trust department of a State member bank, we can furnish you with a copy of a completed examination report for a typical bank, with deletions where necessary to prevent identification of the bank or other breaches of confidentiality. If, on the other hand, you want particular information about The Cleveland Trust Company, we will endeavor to answer your questions, as we have in the past, as fully as possible without breaching confidentiality.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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  
LAKE CITY BANK  
for approval of merger with  
The Commercial State Bank  
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ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), an application by Lake City Bank, Warsaw, Indiana, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Commercial State Bank, Silver Lake, Indiana, under the charter and title of Lake City Bank. As an incident to the merger, the sole office of The Commercial State Bank 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) before the thirtieth calendar day following the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 31st day of March, 1966.

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 LAKE CITY BANK  
FOR APPROVAL OF MERGER WITH THE COMMERCIAL STATE BANK

STATEMENT

Lake City Bank, Warsaw, Indiana, with total deposits of approximately \$18 million, has applied, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior approval of the merger of that bank with The Commercial State Bank, Silver Lake, Indiana ("Commercial Bank"), with total deposits of about \$3 million.<sup>1/</sup> The banks would merge under the charter and title of Lake City Bank, which is a member of the Federal Reserve System. As an incident to the merger, the sole office of Commercial Bank would become an office of Lake City Bank, increasing the number of its offices to three.

Competition. - The home office of Lake City Bank is located in Warsaw, which has an estimated population of 8,000, and the bank operates one branch office in nearby Winona Lake, a community with an estimated population of 1,900. Warsaw, centrally located within Kosciusko County, is the seat and principal community of the county

<sup>1/</sup> Deposit figures are as of December 31, 1965.

(population over 40,000). Commercial Bank's sole office is in the town of Silver Lake (population 500), which is also in Kosciusko County about 12 miles south of Warsaw.

While the service areas<sup>2/</sup> of the two banks overlap slightly, neither bank derives any significant amount of deposits or loans from the other bank's service area. A branch of First National Bank, Warsaw, is situated between offices of Lake City Bank and Commercial Bank.

The resulting bank should be an effective competitor throughout Kosciusko County and small portions of Fulton and Wabash Counties lying immediately south of Kosciusko County. The Board finds that this is the relevant area for the purpose of considering the effect of the proposal on competition.

In addition to Lake City Bank and Commercial Bank, nine banks operate offices within the relevant area. With the exception of First National Bank, Warsaw, these banks, situated at distances of six to 16 miles from the nearest office of the resulting bank, mainly serve their own communities, and consummation of the proposal should not significantly affect them. First National Bank, Warsaw, operates four offices within the relevant area, and, in terms of total deposits held, is approximately the same size as the bank that would result from effectuation of the merger. Each would hold slightly less than one-fourth of the deposits held by all banks operating offices within the relevant area.

The Board finds that the effect of the proposed merger on competition would not be adverse.

<sup>2/</sup> That area from which a bank derives 75 per cent or more of its deposits of individuals, partnerships, and corporations.

Financial and managerial resources and future prospects. -

Commercial Bank had satisfactory earnings until 1965 when profits dropped appreciably due to increased operating expenses, principally interest on time and savings deposits. The bank operates with a low loan-to-deposit ratio that, together with relatively heavy expenses, renders earnings prospects no better than fair. Lake City Bank has capable management, satisfactory future prospects and sound financial resources, as would have the continuing bank.

Convenience and needs of the communities. - Silver Lake and the surrounding area, which is devoted to diversified crops and the raising of livestock, would benefit most from consummation of the merger. Commercial Bank has maintained a low loan-to-deposit ratio, and in the five-year period ending June 30, 1965, the percentage increase in its total loans has been less than for any competing bank. While there is no indication that the credit needs of the Silver Lake area are going unserved, the proposal would provide more complete banking services in this area and benefit to some degree the convenience of its residents.

Summary and conclusion. - Consummation of the proposal would not have adverse competitive effects. The resulting bank would be in a position to improve the earnings prospects of the office now occupied by Commercial Bank and would be able to provide more complete and convenient banking services to the Silver Lake area.

Accordingly, the Board concludes that the proposal should be approved.

March 31, 1966.