

Minutes for April 8, 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>RM</u> |
| Gov. Robertson  | <u>R</u>  |
| Gov. Shepardson | <u>SS</u> |
| Gov. Mitchell   | <u>CM</u> |
| Gov. Daane      | <u>DD</u> |
| Gov. Maisel     | <u>SM</u> |
| Gov. Brimmer    | <u>SB</u> |

Minutes of the Board of Governors of the Federal Reserve System on Friday, April 8, 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. Maisel  
Mr. Brimmer

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Young, Senior Adviser to the Board and  
Director, Division of International Finance  
Mr. Holland, Adviser to the Board  
Mr. Solomon, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Shay, 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  
  
Messrs. Brill, Williams, Axilrod, Gramley, Bernard,  
Eckert, Ettin, and Keir, and Mrs. Frase of the  
Division of Research and Statistics  
  
Messrs. Sammons, Katz, Reynolds, Baker, and Hayes  
of the Division of International Finance

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on April 7, 1966, of the rates on discounts and advances in their existing schedules

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was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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:

|   | <u>Item No.</u> |
|---|-----------------|
| Letter to State Street Bank and Trust Company, Boston, Massachusetts, approving the establishment of a branch in Chelsea.   | 1               |
| Letter to Valley Bank and Trust Company, Springfield, Massachusetts, approving the establishment of a branch at 32 Fort Pleasant Avenue.  | 2               |
| Letter to Lewis County Trust Company, Lowville, New York, approving the establishment of a branch in Carthage.  | 3               |
| Letter to Long Island Trust Company, Garden City, New York, approving the establishment of a branch in Deer Park.   | 4               |
| Letters to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of branches at 485 Lexington Avenue, Borough of Manhattan, and in the Baldwin Harbor Shopping Center, Baldwin Harbor. | 5-6             |
| Letter to Marine Midland Trust Company of Western New York, Buffalo, New York, approving the establishment of a branch in the Town of Lockport.   | 7               |

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Belton Bank, Belton, South Carolina, into The Peoples National

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Bank of Greenville, Greenville, South Carolina, was approved unanimously for transmittal to the Comptroller, the conclusion being stated as follows:

The proposed merger of The Belton Bank into The Peoples National Bank of Greenville would not have adverse competitive effects.

Application of Springville Banking Company (Items 8-10). There had been distributed a proposed order and statement reflecting the Board's approval on March 28, 1966, of the application of Springville Banking Company, Springville, Utah, to merge State Bank of Provo, Provo, Utah, under the title Central Bank and Trust Company.

After agreement had been reached on certain changes in the statement, the issuance of the order and statement was authorized; copies of the documents, as issued, are attached as Items 8 and 9. A copy of the letter sent to the applicant bank is attached as Item No. 10.

At this point Messrs. Shay, Leavitt, Egertson, Maguire, and Heyde withdrew from the meeting.

Money market review. Mr. Bernard commented on the Government securities market, following which Mr. Eckert reported on bank credit developments. Mr. Hayes then reported on foreign exchange market conditions and commented on some of the economic problems facing the British Government. Distributed materials included tables affording perspective on the money market, the capital market, and bank reserve utilization.

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

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Foreign mission. After discussion the Board referred to Governor Shepardson with power to act the question of authorizing a member of the Board's staff in the administrative or secretarial area to accompany Mr. Young on the prospective mission to Viet Nam mentioned in the minutes of March 7, 1966.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Letter (copy attached as Item No. 11) to Mr. John J. Balles, Vice President and Chief Economist, Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania, advising that the Board would be glad to have its staff render technical assistance in designing the sample for a forthcoming statistical study of pledged assets of the banking system, which would be used in a survey to be conducted by the American Bankers Association as part of a more general study by that Association and the Association of Reserve City Bankers.

Letter to Professor Edwin L. Stevens of Washington, D. C., confirming arrangements for him to conduct a 24-hour course in Effective Oral Communication for members of the Board's staff, as an activity of the Board's Employee Training and Development Program, at a fee of \$900.

Memorandum from the Division of International Finance dated April 6, 1966, recommending the reestablishment of an economist position in the Asia, Africa, and Latin America Section.

Memorandum from the Division of Research and Statistics dated March 31, 1966, recommending that Patric H. Hendershott, Economist in that Division, be granted leave without pay for approximately eight weeks from about June 13 to about August 5, 1966.

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

Permission to engage in outside activity

Patric H. Hendershott, Economist, Division of Research and Statistics, to teach and direct research in the General Electric economic institute for junior college instructors at Purdue University, Lafayette, Indiana, while on leave without pay.

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Appointment

Mary Lynn Hallett as Secretary to Governor Brimmer, with basic annual salary at the rate of \$9,573, effective April 11, 1966.

Salary increases

Loree D. Bernard, Statistical Assistant, Division of Research and Statistics, from \$5,694 to \$6,086 per annum, effective April 10, 1966.

Frank J. Miller, Senior Operator, Tabulating Equipment, Division of Data Processing, from \$5,352 to \$5,702 per annum, effective April 10, 1966.

Transfer

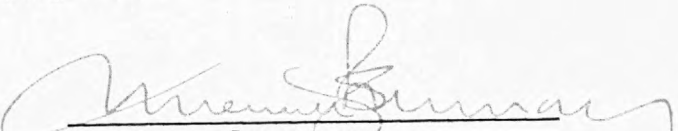
George G. Noory, from the position of Assistant Review Examiner, Division of Examinations, to the position of Administrative Assistant, Division of International Finance, with no change in basic annual salary at the rate of \$8,241, effective April 10, 1966.

Acceptance of resignations

Alfreda Powers, Key Punch Operator, Division of Data Processing, effective at the close of business April 22, 1966.

Sylvia E. Withers, Statistical Clerk, Division of Research and Statistics, effective at the close of business April 15, 1966.

On April 8, 1966, the available members of the Board (Chairman Martin and Governors Shepardson, Maisel, and Brimmer) approved the sending of a letter to the Department of Justice (copy attached as Item No. 12) requesting confirmation of the Board's understanding that, in the absence of special circumstances, the Department would have no objection to the Board making available to the public, upon request, copies of statements filed with the Board containing the Department's views on applications pending before the Board under the Bank Holding Company Act.

  
Secretary

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

Item No. 1  
4/8/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
State Street Bank and Trust Company,  
Boston, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by State Street Bank and Trust Company, Boston, Massachusetts, of a branch at the intersection of Beacham Street Extension and Overmyer Place, Chelsea, Massachusetts, 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  
4/8/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
Valley Bank and Trust Company,  
Springfield, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Valley Bank and Trust Company, Springfield, Massachusetts, of a branch at 32 Fort Pleasant Avenue, Springfield, Massachusetts, 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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
Lewis County Trust Company,  
Lowville, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Lewis County Trust Company, Lowville, New York, of a branch at 414-418 State Street, Carthage, Jefferson County, New York, 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. 4  
4/8/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
Long Island Trust Company,  
Garden City, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Long Island Trust Company, Garden City, New York, of a branch at the intersection of Commack and Nicolls Roads, Deer Park (unincorporated area), Town of Babylon, Suffolk County, New York, 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  
4/8/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
Manufacturers Hanover Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers Hanover Trust Company, New York, New York, of a branch at 485 Lexington Avenue, Borough of Manhattan, New York, New York, 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. 6  
4/8/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
Manufacturers Hanover Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers Hanover Trust Company, New York, New York, of a branch in the Baldwin Harbor Shopping Center, Baldwin Harbor (an unincorporated area), Town of Hempstead, Nassau County, New York, 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. 7  
4/8/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966



Board of Directors,  
Marine Midland Trust Company of  
Western New York,  
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Marine Midland Trust Company of Western New York, Buffalo, New York, of a branch at the intersection of Chestnut Ridge Road (State Route 77) and Rochester Road (State Route 31), Town of Lockport (unincorporated area), Niagara County, 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.)

Item No. 8

4/8/66

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
 In the Matter of the Application of  
 SPRINGVILLE BANKING COMPANY  
 for approval of merger with  
 State Bank of Provo  
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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 Springville Banking Company, Springville, Utah, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and State Bank of Provo, Provo, Utah, under the charter of Springville Banking Company and the title of Central Bank and Trust Company. As an incident to the merger, the sole office of State Bank of Provo 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 8th day of April, 1966.

By order of the Board of Governors.

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

(signed) -- Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

Item No. 9  
4/8/66BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY SPRINGVILLE BANKING COMPANY  
FOR APPROVAL OF MERGER WITH  
STATE BANK OF PROVOSTATEMENT

Springville Banking Company, Springville, Utah ("Springville Bank"), a member of the Federal Reserve System, with deposits of about \$11 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 State Bank of Provo, Provo, Utah ("State Bank"), with about \$8 million of deposits.<sup>1/</sup> The banks would merge under the charter of Springville Bank and the new title Central Bank and Trust Company. As an incident to the merger, the sole office of State Bank would become an office of the resulting bank, increasing the number of its offices to two.

Competition. - Provo, the location of State Bank, is situated about 44 miles south of Salt Lake City. With a population of some 36,000, Provo is the largest town in Utah County. Springville is six miles south of Provo and has a population of about 7,900. Four miles north

<sup>1/</sup> Deposit figures are as of June 30, 1965.



of Provo is the town of Orem (population of about 20,000). These three towns contain over half of Utah County's total population of about 120,000. While part of Utah County is mountainous, it is considered the leading agricultural county in the State.

The service areas<sup>2/</sup> of Springville Bank and State Bank overlap. However, the banks are under common management, and there is no present competition between them.

For considering the remaining competitive aspects of the proposal, Utah County is the relevant area. Provo, Orem, and Springville are the three largest towns in the county, and much of the business of the county gravitates to these three centers. The resulting bank would be a competitor throughout the county. In addition to the two banks involved in the proposal, eight banks operate 11 banking offices in Utah County. Four of these eight banks operate offices in the three towns mentioned above, including the two largest banks in the State: First Security Bank of Utah, N.A., Ogden, with four offices in the county, and Walker Bank and Trust Company, Salt Lake City, with one office. First Security holds about 30 per cent of county deposits and Walker Bank about 18 per cent. The resulting bank would hold slightly less than 20 per cent.

There is no evidence that smaller banks would be adversely affected by the merger, and the resulting bank would have the capacity to provide somewhat more effective competition for the two largest banks in

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

Utah County. The Board concludes that any adverse competitive effects that might result from consummation of the proposal would not be significant.

Financial and managerial resources and future prospects. -

Springville Bank's financial and managerial resources and future prospects are satisfactory.

As a result of State Bank's rapid growth during recent years, its capital position when related to risk assets has deteriorated. Net earnings have not been able to keep pace with growth. The present chairman of the board of State Bank (formerly its chief executive officer) is well past the normal retirement age and recently found it necessary to curtail his activity at the bank. As the bank lacked personnel of management caliber, the president of Springville Bank was elected president of State Bank. The resulting institution will be under the competent management of Springville Bank. Consummation of the proposal would result in operating economies and would hasten needed improvement in the present condition of the smaller bank.

Convenience and needs of the communities. - Needs in Utah County for banking services are being served by the two largest banks in the State and a number of smaller banks, as noted above. However, effectuation of the proposal would provide the county with a third bank large enough to compete more effectively with the branches of the larger institutions and in the process offer broader banking service to the community. Because of this and factors noted previously, the needs and convenience of the customers of the two banks should be benefited by the proposed merger.

Summary and conclusion. - Consummation of the proposal would result in operating economies, hasten needed improvement at the smaller bank, and provide Utah County with a third bank capable of providing enhanced service and more effective competition for the two largest banks. These results would offset the slight and potentially adverse competitive effects of the merger.

Accordingly, the Board concludes that the proposed merger should be approved.

April 8, 1966.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 10  
4/8/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1966.

AIR MAIL - REGISTERED  
RETURN RECEIPT REQUESTED

Springville Banking Company,  
Springville, Utah.

Gentlemen:

The Board of Governors has approved the application, under the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior consent to the merger of State Bank of Provo, Provo, Utah, into Springville Banking Company, Springville, Utah.

Enclosed are the Board's Order of this date, the accompanying Statement, and the press release on this action.

Approval of this merger does not imply approval of the continuing bank's capital position. It is the understanding of the Board that the capital needs of the bank will be carefully watched and, after approximately a year, any additional capital funds which are needed will be provided.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

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

Item No. 11  
4/8/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 11, 1966

Mr. John J. Balles,  
Vice President and Chief Economist,  
Mellon National Bank and Trust Company,  
Mellon Square,  
Pittsburgh, Pennsylvania. 15230

Dear John:

This is in reply to your letter to Mr. Partee of April 1, 1966, requesting assistance from the Board's staff in designing the sample for a forthcoming statistical study of pledged assets of the banking system. It is understood that the sample will be used in a survey to be conducted by the American Bankers Association as part of a more general study by that Association and the Association of Reserve City Bankers.

This is to advise that the Board will be glad to have its staff render technical assistance in designing the sample. It is suggested that Mr. Haywood continue to be in touch with Mr. Gedanken of the Division of Data Processing concerning the work desired to be accomplished.

With best regards.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 12  
4/8/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 12, 1966.

The Honorable Richard M. Roberts,  
Acting Assistant Attorney General,  
Tax Division,  
Department of Justice,  
Washington, D. C. 20530

Attention Mr. Donald F. Melchior,  
Chief, Special Trial Section.

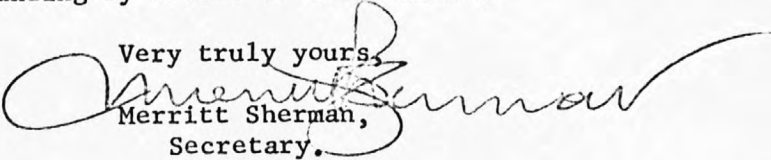
Dear Mr. Roberts:

This confirms conversations had between Mr. Donald F. Melchior of your staff and Mr. Thomas J. O'Connell of the Board's legal staff concerning the Department's view with respect to the Board making available to the public, upon request, copies of statements filed with the Board containing the Department's views on applications pending before the Board under the Bank Holding Company Act of 1956. Upon specific past requests by the Board's staff, Mr. Melchior has advised by telephone that the Department would not object to the Board's responding to a request for release of such statements if the Board felt that the release was otherwise appropriate.

It is the Board's view that, except where special circumstances compel a different conclusion, a statement by the Department on an application under the Bank Holding Company Act may be viewed in the same light as a competitive factors report filed by the Department with the Board under the Bank Merger Act of 1960, as amended. As you know, the Board makes available to the public copies of the competitive factors reports filed with it by your Department and the other two Federal supervisory agencies. With respect to any statement of the Department in a bank holding company matter, should the Department wish to restrict the public's access thereto, that fact could be made known in the letter transmitting the particular statement to the Board.

Assuming the Board's understanding to be correct that in the usual case the Department has no objection to the Board's release of a statement filed with the Board, it will be appreciated if you will confirm this understanding by letter to that effect.

Very truly yours,

  
Merritt Sherman,  
Secretary.