

Minutes for May 25, 1966

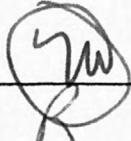
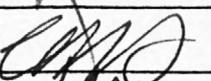
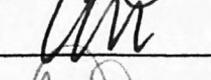
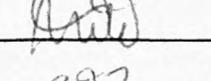
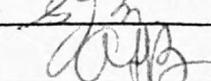
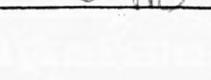
To: Members of the Board

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></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, May 25, 1966. The Board met in the Board Room at 2:30 p.m.

PRESENT: Mr. Robertson, Vice Chairman
Mr. Shepardson
Mr. Mitchell
Mr. Maisel
Mr. Brimmer

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Gramley, Associate Adviser, Division of Research and Statistics
Miss Eaton, General Assistant, Office of the Secretary
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Messrs. Burton and Poundstone, Review Examiners, Division of Examinations
Miss Greene and Mr. Kline, Assistant Review Examiners, Division of Examinations

Ratification of actions. Actions taken at a meeting of the available members of the Board on May 23, 1966, as recorded in the minutes of that meeting, were ratified by unanimous vote.

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

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available to the Board and clarification of points of information about which members of the Board inquired:

	<u>Item No.</u>
Letter to Fidelity Union Trust Company, Newark, New Jersey, approving an investment in bank premises.	1
Letter to State Street Bank and Trust Company, Boston, Massachusetts, granting an extension of time to establish a branch at 6 Tremont Street, in lieu of the existing branch at 199 Washington Street.	2
Letter to Marine Midland Trust Company of Central New York, Syracuse, New York, approving the establishment of a branch at 500 East Genesee Street, in lieu of the existing branch at 711 Erie Boulevard East.	3
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at 3919 Chestnut Street and an investment in bank premises incident thereto.	4
Letter to Girard Trust Bank, Philadelphia, Pennsylvania, approving the establishment of a branch at 1101-1103 South Ninth Street.	5
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch in Greensboro.	6
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch in Kinston.	7
Letter to The Farmers State Bank of Englewood, Englewood, Ohio, granting an extension of time to establish a branch in Dayton.	8
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Goleta.	9

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	<u>Item No.</u>
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Victorville.	10
Letters to Irving International Financing Corporation and Marine Midland International Corporation, both of New York, New York, approving the acquisition of additional shares of Industrial Finance Corporation, Manila, Philippines.	11-12
Telegram to the Federal Reserve Agent at Boston authorizing the issuance of a general voting permit to New Hampshire Bankshares, Inc., Nashua, New Hampshire, covering its stock of The Indian Head National Bank of Manchester, Manchester, New Hampshire.	13
Letter to the Bureau of the Budget regarding proposed model State legislation suggested by the Council of State Governments for regulation of the sale and issuance of checks, money orders, and other instruments by nonbank concerns.	14
Letter to the Federal Reserve Bank of Chicago regarding Blue Shield coverage at the head office and the Detroit Branch.	15
Letter to the Federal Reserve Bank of San Francisco approving the appointment of Irwin L. Jennings as Vice President in charge of the bank examination function and approving the payment of salary to him and certain other officers at rates fixed by the Board of Directors.	16

Reports on competitive factors. Reports on the competitive factors involved in the following proposed mergers or similar transactions were approved unanimously for transmittal, the conclusions being stated as follows:

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To the Federal Deposit Insurance Corporation regarding the proposed merger of The Tamaqua National Bank, Tamaqua, Pennsylvania, into American Bank and Trust Co. of Pa., Reading, Pennsylvania

Consummation of the proposed merger of American Bank and Trust Co. of Pa., Reading, Pennsylvania, and The Tamaqua National Bank, Tamaqua, Pennsylvania, would eliminate existing and potential competition between the former's Coaldale office and the latter bank, while increasing the concentration of banking resources in the bank that now is by far the largest bank in the overall area. The net effect on competition clearly would be adverse.

To the Comptroller of the Currency regarding the proposed merger of The Bank of Russell County, Cleveland, Virginia, into First National Bank in Honaker, Honaker, Virginia

The proposed merger of The Bank of Russell County, Cleveland, Virginia, into First National Bank in Honaker, Honaker, Virginia, would not have adverse competitive effects.

To the Federal Deposit Insurance Corporation regarding the Proposed acquisition of assets and assumption of liabilities of Commerce City Bank, City of Commerce, California, by Community Bank, Huntington Park, California

The proposed acquisition of Commerce City Bank, City of Commerce, California, by Community Bank, Huntington Park, California, would have no adverse effects on competition.

Application of United Bancshares of Florida (Items 17-19). There had been distributed drafts of an order and statement reflecting the Board's approval on April 26, 1966, of the application of United Bancshares of Florida, Inc., Miami Beach, Florida, to become a bank holding company through acquisition of voting shares of The Miami Beach First National Bank, Miami Beach, and United National Bank, Miami, Florida.

After discussion, the issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as

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Items 17 and 18. A copy of the letter sent to the applicant is attached as Item No. 19.

Procedure on holding company applications (Item No. 20). Reference was made to a letter dated May 24, 1966, in which Senator Douglas expressed concern that the Board give due notice to the Attorney General if it intended to approve any acquisition, merger, or consolidation transactions under the Bank Holding Company Act of 1956 immediately prior to the enactment of the Bank Holding Company Act Amendments of 1966. Senator Douglas pointed out that H.R. 7371, in the form in which it was favorably reported by the Senate Banking and Currency Committee on May 19, established in section 11 a conclusive presumption that any acquisition, merger, or consolidation transaction consummated at any time prior to the enactment of that section was not in violation of any antitrust laws other than section 2 of the Sherman Act. He felt it would be unfortunate if any "last minute" application were to be approved just prior to enactment of this legislation, thus depriving the Department of Justice of an opportunity to bring suit under the antitrust laws.

After discussion, approval was given to a reply to Senator Douglas in the form attached as Item No. 20.

Data on certificates of deposit. In connection with a request made by Congressman Ottinger, a member of the House Banking and Currency Committee, at the hearing this morning for information on the amount of outstanding certificates of deposit broken down according to

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size, Mr. Brill described sources of data most nearly responsive to the request, including information tabulated from a special supplement to the call report of April 1965. It was his understanding that the Comptroller of the Currency had previously interposed objection to the release of that information, reportedly on the ground that it would disclose a breakdown between State and national banks, and that the data had not been made public.

After discussion, it was agreed that such available data should be furnished as would be most responsive to the request.

Request from Central Bank of Tanzania. A memorandum dated May 23, 1966, had been submitted to Governor Shepardson by Mr. Irvine of the Division of International Finance listing several persons who might be suitable candidates for an assignment to render technical assistance to the Central Bank of Tanzania in establishing a research department, as requested by that bank, for a period of 20 to 24 months. At its meeting on May 6, the Board had agreed that it would be appropriate to assist the bank in locating such a person, and it was now agreed that the staff should proceed to ascertain whether any of the individuals listed would have an interest in the assignment.

The meeting then adjourned.

Secretary's Notes: On May 24, 1966,
Governor Shepardson approved on behalf
of the Board the following items:

Letter to the Federal Reserve Bank of Chicago (copy attached as Item No. 21) approving the appointment of Roy K. Anderson and John M. Montgomery as assistant examiners.

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

Appointments

Jane E. Davis as Digital Computer Programmer (Trainee), Division of Data Processing, with basic annual salary at the rate of \$5,181, effective the date of entrance upon duty.

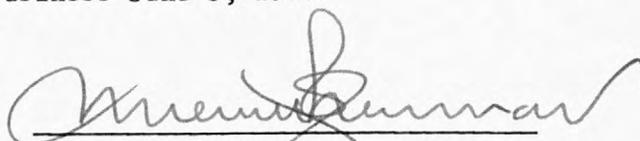
Michael Vern Maxson as Assistant Federal Reserve Examiner, Division of Examinations, with basic annual salary at the rate of \$5,352, effective the date of entrance upon duty.

Mary E. Ray as Technical Editor (Economics), Division of Research and Statistics, with basic annual salary at the rate of \$12,091, effective the date of entrance upon duty.

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

Memorandum from Mr. Holland, Adviser to the Board, dated May 24, 1966, requesting approval to compensate Professors Hyman Minsky and Franco Modigliani for their attendance at prospective planning meetings relative to the study of the discount mechanism on the same basis as they were compensated in connection with their participation in the academic seminar held on May 11, 1966.

Memorandum from the Division of Research and Statistics recommending acceptance of the resignation of Kathryn A. Morisse, Economist in that Division, effective at the close of business June 3, 1966.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966



Board of Directors,
Fidelity Union Trust Company,
Newark, New Jersey.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment in bank premises by Fidelity Union Trust Company, Newark, New Jersey, of not to exceed \$285,000 incident to the establishment of a branch at 305-311 Wilson Avenue, Newark, New Jersey. This approval is in lieu of the Board's previous approval of a \$235,000 investment in connection with the establishment of the above-mentioned branch.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

1846

Item No. 2
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

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

Gentlemen:

The Board of Governors of the Federal Reserve System has approved an extension to January 2, 1967, of the time within which State Street Bank and Trust Company, Boston, Massachusetts, may establish a branch at 6 Tremont Street, Boston, Massachusetts.

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
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

Board of Directors,
Marine Midland Trust Company of
Central New York,
Syracuse, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 500 East Genesee Street, Syracuse, New York, by Marine Midland Trust Company of Central New York, Syracuse, New York, provided the branch is established within one year from the date of this letter, and provided further that branch operations conducted at 711 Erie Boulevard East are discontinued simultaneously with the establishment of the above branch.

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
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966



Board of Directors,
Fidelity-Philadelphia Trust
Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, of a branch at 3919 Chestnut Street, Philadelphia, Pennsylvania, provided the branch is established within six months from the date of this letter.

The Board also approves under the provisions of Section 24A of the Federal Reserve Act an investment of \$25,000 in bank premises incident to establishment of the branch.

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
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966



Board of Directors,
Girard Trust Bank,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Girard Trust Bank, Philadelphia, Pennsylvania, of a branch at 1101-1103 South Ninth Street, Philadelphia, Pennsylvania, 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. 6
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 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 5608 Friendly Road, Greensboro, North Carolina, 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. 7
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 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 707 Plaza Boulevard, Kinston, North Carolina, 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

1852

Item No. 8
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

Board of Directors,
The Farmers State Bank, of Englewood,
Englewood, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 17, 1966, the time within which The Farmers State Bank, of Englewood, Englewood, Ohio, may establish a branch at 18 on the Mall, 30 South Main Street, Dayton, 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

1853

Item No. 9
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

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 in the vicinity of the intersection of Hollister Avenue and Storke Road in Goleta (unincorporated area), Santa Barbara County, California, provided the branch is established within 18 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

1854

Item No. 10
5/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

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 in the vicinity of the intersection of Seventh Street and Seneca Road, Victorville, California, 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. 11
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966.

Irving International
Financing Corporation,
One Wall Street,
New York, New York. 10015

Gentlemen:

As requested in your letter of April 27, 1966, the Board of Governors grants consent for your Corporation to purchase and hold additional shares, par value P10 each, of Industrial Finance Corporation, Manila, Philippines, at a cost of approximately US\$152,000, provided such stock is acquired within one year from the date of this letter. In this connection, the Board also approves the purchase and holding of such shares in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consent is being given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation and Irving Trust Company, will not cause the total of such loans and investments to exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

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. 12
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966.

Marine Midland
International Corporation,
120 Broadway,
New York, New York. 10005

Gentlemen:

As requested in your letter of May 3, 1966, the Board of Governors grants consent for your Corporation to purchase and hold additional shares, par value P10 each, of Industrial Finance Corporation, Manila, Philippines, at a cost of approximately US\$152,000, provided such stock is acquired within one year from the date of this letter.

The foregoing consent is being given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation, will not cause the total of such loans and investments to exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICEItem No. 13
5/25/66**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**
WASHINGTON

May 25, 1966.

HOYLE - BOSTON

KEBJE

- A. New Hampshire Bankshares, Inc., Nashua, New Hampshire.
- B. The Indian Head National Bank of Manchester, Manchester, New Hampshire.
- C. Prior to issuance of permit authorized herein, Applicant shall execute and deliver to you, in duplicate, an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

(Signed) Karl E. Bakke

BAKKE

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 26, 1966

Mr. William D. Carey,
Executive Assistant Director,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Carey:

This refers to your letter of May 10, 1966, requesting the Board's views on a proposal involving suggested State legislation for the regulation of sales of checks and money orders by private nonbank concerns, submitted for consideration by the Committee on Suggested State Legislation of the Council of State Governments.

In a letter to you dated July 1, 1965, the Board expressed its views that to the extent greater regulation of private money order business was desirable, the States, rather than the Federal Government, should be encouraged to take the necessary action. Accordingly, the Board favored the recommendation of the Department of Commerce that the Council of State Governments develop model legislation to provide necessary safeguards for the protection of the public in its dealings with money order firms.

The proposal submitted by the Committee on Suggested State Legislation is in line with the course previously favored by the Board, and the Board sees no objection to the suggested legislation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 15
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

AIR MAIL

Mr. C. J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Scanlon:

Reference is made to your letter of May 6 and Mr. Newman's letter of April 22, advising that the Board of Directors has approved changes in surgical-medical coverage from commercial insurance carriers at the Head Office and Detroit Branch to the Illinois Blue Shield Plan and Blue Shield Plan of Michigan, respectively, effective July 1, 1966.

The Board of Governors approves the program of benefits under the new contracts and the absorption of two-thirds of the premium costs in connection therewith.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 25, 1966

CONFIDENTIAL (FR)

Mr. Eliot J. Swan, President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Swan:

The Board of Governors approves the payment of salary to the following officers of the Federal Reserve Bank of San Francisco, assigned to the Los Angeles Branch for the period June 1 to December 31, 1966, at rates indicated, which are those fixed by your Board of Directors, as reported in your letter of May 6:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Paul W. Cavan	Vice President and Manager	\$22,500
Gerald R. Kelly	Vice President	16,000
James M. Davis	Assistant Manager	11,250

The Board also approves, effective July 1, 1966, the appointment of Irwin L. Jennings as Vice President in charge of the Bank Examination function at the Federal Reserve Bank of San Francisco, and the payment of salary to him at the rate of \$22,500 per annum.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 17
5/25/66

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

In the Matter of the Application of
UNITED BANGSHARES OF FLORIDA, INC.,
MIAMI BEACH, FLORIDA,
for permission to become a bank holding
company through acquisition of stock of
two banks in Florida.

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(1)) and section 222.4(a)(1) of Federal Reserve Regulation Y (12 CFR 222.4(a)(1)), an application on behalf of United Bancshares of Florida, Inc., Miami Beach, Florida, for the Board's approval of action whereby Applicant would become a bank holding company through the acquisition of 80 per cent or more of the voting shares of The Miami Beach First National Bank, Miami Beach, and United National Bank, Miami, both in Florida.

As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application

and requested his views and recommendation thereon. The Comptroller recommended approval.

Notice of receipt of the application was published in the Federal Register on March 15, 1966 (31 Federal Register 4425), which provided an opportunity for submission of comments and views regarding the proposed transaction. Time for filing such views and comments has expired and all those filed with the Board have been considered by it.

IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that the acquisition so approved 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 26th day of May, 1966.

By order of the Board of Governors.

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

Absent and not voting: Chairman Martin and Governor Brimmer.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY UNITED BANCSHARES OF FLORIDA, INC.,
MIAMI BEACH, FLORIDA, FOR PRIOR APPROVAL OF
ACTION TO BECOME A BANK HOLDING COMPANY

STATEMENT

United Bancshares of Florida, Inc., Miami Beach Florida ("Applicant"), has filed with the Board, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 ("the Act"), an application for approval of action to become a bank holding company through the acquisition of 80 per cent or more of the outstanding voting shares of The Miami Beach First National Bank, Miami Beach, Florida ("Miami Beach Bank"), and United National Bank, Miami, Florida ("United National").

Applicant presently owns about 95 per cent of the outstanding voting shares of Coral Gables First National Bank, Coral Gables, Florida ("Coral Gables Bank"), which at December 31, 1965, had deposits of about \$37 million. At that date, Miami Beach Bank and United National, respectively, had deposits of \$103 million and \$14 million.

Views and recommendation of supervisory authority. - As required by section 3(b) of the Act, since the proposed subsidiary banks are national banks, notice of receipt of the application was given to the Comptroller of the Currency requesting his views

and recommendation thereon. The Comptroller recommended approval of the application.

Statutory factors. - Section 3(c) of the Act requires that the Board take into consideration the following five factors: (1) the financial history and condition of the holding company and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the proposal would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Financial history and condition, prospects, and management of Applicant and the banks concerned. - As earlier noted, Applicant, chartered in November 1965, has recently acquired ownership of 95 per cent of the stock of Coral Gables Bank. That acquisition was accomplished by cash purchase, with Applicant borrowing some \$5 million on a short-term basis. Applicant proposes to refinance the debt on a long-term basis through the sale of capital notes or debentures. It is proposed that Miami Beach Bank and United National will be acquired through stock exchange and, assuming acquisition by Applicant of all the outstanding voting shares of each of the three banks, Applicant would have, on a pro forma basis, total assets of about \$16 million and a net worth of about \$11 million. Applicant's pro forma financial

structure is reasonably satisfactory. Its financial prospects, dependent in major respects upon the prospects of Coral Gables Bank and the two proposed subsidiary banks, are similarly satisfactory.

Coral Gables Bank commenced operations in 1926. Its financial history and condition are satisfactory even though it has experienced a slight decrease in total deposits in recent years - from \$37.4 million at the end of 1960 to \$36.6 million at the end of 1965. In substantial measure, this deposit decrease is attributable to the fact that the bank's controlling ownership has changed hands five times in the last 15 years. The bank has paid no cash dividends in the last five calendar years and, in that period, total capital accounts have increased nearly one million dollars through retention of earnings. Considering the good earnings record of the Coral Gables Bank and its location in one of the largest suburbs in Dade County, in which substantial population growth is occurring, bank's prospects appear satisfactory. In the Board's judgment, however, its prospects will be enhanced under the more stable ownership and control which Applicant's holding company system will provide. This consideration is favorable to approval of Applicant's proposal.

Miami Beach Bank, the second largest of 16 banks located in its primary service area,^{1/} has been in operation since 1921. Despite the fact, later discussed, that its service area is composed

^{1/} The area from which about 75 per cent of the bank's deposits of individuals, partnerships, and corporations originate.

to a large extent of low income retirees from whom no source of substantial deposit growth might reasonably be expected, bank's total deposits have increased \$34 million in the most recent five calendar years. Of this increase, \$13 million represented deposits of States and political subdivisions made between June 30, 1965, and December 31, 1965. Apart from the volatile nature of these deposits, bank's total deposit structure appears sound, its capital position good, and its earnings record quite satisfactory. Accordingly, Miami Beach Bank's financial history and condition are found to be satisfactory and its prospects favorable.

United National's financial history and condition and prospects are considered satisfactory. This bank commenced operations in October 1964, and by the end of that year had total deposits of \$4.6 million. Deposits had increased to more than \$14 million by year-end 1965, and the bank showed a profit in its first full calendar year in operation.

Regarding the management of Applicant and the banks, Mr. Frank Smathers, Jr., who was instrumental in organizing Applicant, is chairman and president of each of the three banks concerned and, together with Applicant's directors, owns or controls approximately 70 and 60 per cent, respectively, of the Miami Beach Bank and United National. Following consummation of Applicant's proposal, the same group would own or control 68 per cent of Applicant's voting stock. Thus, control of each of the three banks involved in this proposal is generally in the hands of the same group of individuals.

Applicant's management will be drawn largely from its subsidiary banks. Of Applicant's 11 directors, four serve on the boards of both United National and Miami Beach Bank; two are directors of Miami Beach Bank, only; and five others are directors of United National. Six of Applicant's directors also serve on the Board of Coral Gables Bank. The directorate and management of Applicant and of each of the banks involved are competent and experienced. In the Board's judgment, considerations relating to management are consistent with approval of the application.

Convenience, needs, and welfare of the communities and area concerned. - Miami Beach Bank is located in the center of the City of Miami Beach. Its primary service area lies within Dade County, and extends along the Atlantic coastline for approximately 10 miles from north to south and four to five miles from east to west. It encompasses the Atlantic beach communities of Bal Harbour, Surfside, and Miami Beach and extends west across Biscayne Bay to include a portion of Miami Shores and the eastern fringe of the City of Miami. The area, with an estimated population of 138,400 persons, is experiencing continued population growth. Miami Beach has an annual population growth rate of nearly five per cent. A large portion of the population growth is apparently the result of an influx into the area of elderly, retired persons. The population make-up has produced a median family income in the area below that of Dade County or the State as a whole. Business in Miami Beach is reported to have declined in recent years, apparently due in part to the

large number of low income retirees in the area (36 per cent of all Miami Beach families earn less than \$3,000 a year). While the population of Miami Beach will probably continue to increase as more retired persons move into the area, it does not appear that there will be a significant increase in the demand for banking services, or that existing institutions will be unable to serve adequately the needs of the area.

United National is located in the heart of downtown Miami. Due to United National's brief operating history, and the resulting inability to ascertain any distinct deposit concentration pattern, Applicant designated as the bank's primary service area all of Dade County. Dade County, which comprises the Miami Standard Statistical Metropolitan Area, is the largest and most heavily populated county in the State. It has a population of nearly 1.1 million persons, and a projected population figure by 1970 of nearly 1.5 million. Tourism constitutes the most important factor in the economy of Dade County, and nearly one-third of its labor force is engaged in retail and wholesale trade. Manufacturing is second to tourism in importance in the local economy and is expanding at a rather significant rate. Another recent development of economic importance to Miami and all of Dade County is the new \$20 million Dodge Island Seaport, now reported to be two-thirds completed. This sea terminal will accommodate both passenger and cargo vessels and is expected to boost the economy of Dade County by some \$5 million annually. In general, the prospects appear favorable for continued population and economic expansion within United National's service area.

Coral Gables Bank is located in the central business district of Coral Gables. Its primary service area extends approximately 15 miles from east to west and 5-1/2 miles from north to south, and encompasses the communities of Coral Gables, West Miami, South Miami, and the southwestern section of the City of Miami. Population estimates for the primary service area are 207,000, and for Coral Gables, 42,500. Coral Gables is primarily a residential area. Its inhabitants include many business executives and professionals. More than 38 per cent of the families in Coral Gables have incomes in excess of \$10,000. While business expansion within the City of Coral Gables has been moderate, a number of new homes and apartment buildings are under construction in the western sector of the bank's service area. A shopping center, reportedly the second largest in Dade County, is located in the southwest sector of the service area.

The primary service areas of Miami Beach Bank and Coral Gables Bank are both within Dade County and, thus, wholly within United National's designated primary service area. All three banks, and their respective service areas, are within the Miami Standard Metropolitan Statistical Area. In the Board's judgment, this constitutes the area most relevant for consideration with respect to the fourth and fifth statutory factors.

Applicant's organizers assert that the holding company was conceived to meet a growing need for banking services in South Florida. It is contended that, through Applicant's reserves or through sales of

securities by Applicant, additional capital funds will be available to the three banks to assist them in keeping pace with the population and commercial growth in their respective areas. It is also asserted that loan participations among the banks will be facilitated by Applicant's proposal; that this will strengthen the lending power of the banks; and that the aggregate funds available in the three banks for lending will be more effectively utilized. In addition, Applicant anticipates that operating costs within the banks will be reduced rather significantly through the centralization of investment research and management, supply and equipment purchasing, personnel recruitment and training, and advertising. Finally, it is Applicant's belief that the problem of attracting and holding competent officers and employees will be more easily met by the banks as members of Applicant's system for the reason that advancement opportunities will be greater within the system than within each individual bank.

As previously noted, the three banks are presently under common ownership and management, and the principal organizer of Applicant presently serves as board chairman and president of each of the three banks. In the Board's judgment, numerous of the services to be offered by Applicant, including those related to certain operating efficiencies and facilitation of loan participations, can be effected under the present close working relationship resulting from common management and control. It may be that Applicant could more easily market additional securities, if necessary, to implement the capital

structures of one or more of the banks, and that under its holding company system better opportunities would be available to attract and hold personnel. These considerations as applied to Miami Beach Bank and United National are accorded minimal weight inasmuch as the record before the Board contains no assertion by Applicant of capital needs or personnel placement problems in these banks at the present time. As earlier noted, however, ownership and control of Coral Gables Bank has changed hands five times within 15 years, occurrences not conducive to attracting or retaining quality management personnel. The assurance of continuing control and direction afforded Coral Gables Bank constitutes a consideration favoring approval of the application. The resulting likelihood of improved banking service by Coral Gables Bank bears also upon the weight to be accorded this consideration. On the basis of the record, the Board finds that considerations relating to the convenience, needs, and welfare of the communities and area involved offer some weight toward approval of the application.

Effect of proposed holding company formation on adequate and sound banking, the public interest, and banking competition. -

If Applicant's proposal is consummated, Applicant will become the second registered bank holding company headquartered and operating in the Miami Standard Metropolitan Statistical Area. Applicant's proposed holding company system will be comprised of three banks with deposits at June 30, 1965,^{2/} of \$131 million, or about nine per cent of the deposits

^{2/} Unless otherwise indicated, all banking data noted hereafter are as of this date.

of commercial banks in Dade County. The other registered bank holding company now operating there is Commercial Bancorp, Inc., which has three subsidiary banks with total deposits of \$41 million, or about three per cent of the commercial bank deposits in the county.

There are 61 commercial banks operating in Dade County, but a number of these banks are constituents of group banking systems. In addition to the registered bank holding company, the following "banking groups" also operate in Dade County: The Florida National Group, with three banks in the county holding deposits of \$117 million, or about eight per cent of the commercial bank deposits; The City National Bank Group, comprised of three banks with deposits aggregating \$120 million, or eight per cent of the commercial bank deposits; the Peoples Group of National Banks, with six banks having combined deposits of \$57 million, or four per cent of the above total; and the "Little River Bank and Trust Company Group", operating three banks in the county with aggregate deposits of \$109 million, or seven per cent of the above total. Thus, Applicant's proposed system, together with the registered bank holding company and the four banking groups, operates 21 of Dade County's 61 commercial banks, and controls 39 per cent of the deposits of those banks. In addition to the portion of Dade County's banking resources under control of the six aforementioned groups of banks, the area's largest bank, First National Bank of Miami, has deposits of \$422 million, representing 28 per cent of the total deposits of the county's commercial banks.

A significant proportion of the banking resources in the Miami Standard Metropolitan Statistical Area is now controlled by the seven banking units above mentioned. However, the Board does not find this concentration, viewed in relation to the circumstances attending the present application, to be a consideration adverse to approving that application. The effect of Applicant's proposal will be, in reality, to convert an existing banking chain into a registered bank holding company. Although bank holding companies will, upon consummation of Applicant's proposal, control about 12 per cent, rather than the present three per cent, of the deposits of Dade County commercial banks, in reality, there will be no expansion of any existing banking system. Nor will the portions of the area's banking resources that will be under Applicant's control or under the control of all bank holding companies be of undue size. Further, there will remain in the area a relatively large number of alternative banking sources, both within and independent of the aforementioned groups.

Inasmuch as the three banks involved in Applicant's proposal are affiliated under generally common ownership and management, and since that affiliation is likely to continue despite approval or denial of Applicant's holding company proposal, the Board concludes that no appreciable present or potential competition will be eliminated or foreclosed between or among Applicant's present and proposed subsidiary banks by consummation of this plan.

Banks competing in the Miami Standard Metropolitan Statistical Area are presently faced with the competitive force offered by the three affiliated banks. In the Board's opinion, formation of the holding company system proposed will not change this competitive impact to any marked degree within the immediate future. It may be that under holding company control the three banks will, in time, through coordinated direction and stable management, improve the nature and scope of their service rendition and thereby stimulate banking competition in the Metropolitan Area. The possibility of this occurrence, particularly in relation to the potential ability of Applicant's Miami subsidiary to compete more effectively with the area's major bank, First National Bank of Miami, is sufficiently consistent with the preservation of banking competition and the public interest as to support approval of the application.

On the basis of all the relevant facts as contained in the record before the Board, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the application should be approved.

May 26, 1966.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 19
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 26, 1966.

AIR MAIL - REGISTERED
RETURN RECEIPT REQUESTED

United Bancshares of Florida, Inc.,
1651 Alton Road,
Miami Beach, Florida. 33139

Gentlemen:

The Board of Governors of the Federal Reserve System has approved the application of United Bancshares of Florida, Inc., to become a bank holding company through the acquisition of 80 per cent or more of the voting shares of The Miami Beach National Bank, Miami Beach, and United National Bank, Miami, both in Florida. The Board's Order, accompanying Statement, and press release are enclosed.

Regarding Bancshares' proposed financial structure, the Board views with concern the relatively large amount of debt with which Bancshares will begin business, not only because the debt to net worth ratio will be higher than for holding companies, generally, but also because the debt is short-term and no definite plans for refinancing have been formulated. In these circumstances, the Board would look unfavorably upon any action that would create more debt prior to a significant improvement in the initial debt to net worth ratio.

Further, you are advised of the Board's view that the carrying value of investments in subsidiary banks given in annual reports filed with the Board and in Bancshares' published statements should be no greater than the corporation's interest in the net assets of such subsidiaries as included in call reports submitted to Federal supervisory authorities.

In connection with the provision of the Board's Order requiring that the acquisition be consummated no later than three months from the date of the Order, advice of the fact of consummation should be given in writing to the Federal Reserve Bank of Atlanta.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

1877



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 20
5/25/66

OFFICE OF THE VICE CHAIRMAN

May 25, 1966.

Dear Senator Douglas:

In Chairman Martin's absence, permit me to acknowledge your letter of May 24 regarding the possibility of "last minute" approval of bank holding company transactions prior to enactment of the pending amendments to the Bank Holding Company Act of 1956, thereby depriving the Department of Justice of an opportunity to bring suit with respect to such transactions under the Antitrust laws.

Under the Board's present procedures, the Department of Justice is immediately notified of the receipt of each bank holding company application and the Board gives careful consideration to any views that may be submitted by the Department. Every order of the Board approving a holding company acquisition provides that the acquisition shall not be consummated within seven calendar days after the date of the Board's order, thus affording the Department of Justice an opportunity to determine whether to institute antitrust proceedings.

However, in order to preclude any occurrence of the kind mentioned in your letter, the Board, during the present session of Congress, will notify the Attorney General immediately upon the Board's action approving any application and in advance of the date of the issuance of the Board's order in the case; this will afford the Department additional time before the date of issuance of the Board's order when the Board's action becomes legally effective. In addition, the Board will withhold the issuance of any order approving a holding company application during the period between approval of the pending legislation by the Congress and the date when the legislation becomes law with the signature of the President.

With best regards, I am

Sincerely,

(Signed) J.L. Robertson

J. L. Robertson

The Honorable Paul H. Douglas
United States Senate
Washington, D. C.

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

Item No. 21
5/25/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1966

Mr. Leland M. Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Ross:

In accordance with the request contained in your letter of May 18, 1966, the Board approves the appointments of Roy K. Anderson and John M. Montgomery as assistant examiners for the Federal Reserve Bank of Chicago. Please advise the effective dates of the appointments.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.