FR 609

Minutes for November 7, 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 ____________

Gov. Robertson ____________

Gov. Shepardson ____________

Gov. Mitchell ____________

Gov. Daane ____________

Gov. Maisel ____________

Gov. Brimmer ____________

Minutes of the Board of Governors of the Federal Reserve System on Monday, November 7, 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. Maisel
Mr. Brimmer

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Bakke, 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. Cardon, Legislative Counsel
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. Shay, Assistant General Counsel
Mr. Partee, Associate Director, Division of Research and Statistics
Mr. Sammons, Associate Director, Division of International Finance
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Miss Hart, Senior Attorney, Legal Division
Mr. Grimwood, Assistant to the Director, Division of International Finance
Messrs. Egertson and Maguire, Supervisory Review Examiners, Division of Examinations

Report on competitive factors. There had been distributed memoranda dated November 3 and 4, 1966, from the Division of Examinations relating to the report to be made to the Comptroller of the Currency on

the competitive factors involved in the proposed merger of Daly National Bank of Anaconda, Anaconda, Montana, and The First National Bank of Butte, Butte, Montana. Attached to the November 3 memorandum was a draft of report, the conclusion of which read as follows:

> There is very little present or potential competition to be eliminated by the proposed merger of Daly National Bank of Anaconda, Anaconda, Montana (a subsidiary of Northwest Bancorporation, Minneapolis, Minnesota), and The First National Bank of Butte, Butte, Montana, and it appears that the more aggressive policies and greater range of services offered by the resulting bank would provide stronger competition to the other banks in the area. However, consummation of the transaction would increase the concentration of Montana banking resources held by the parent company while further adding to the already substantial share of such resources controlled by the four holding companies operating in the State. The overall competitive effect would be somewhat adverse.

The November 4 memorandum stated that the proposed merger had given rise to concern in the Montana banking community in view of certain provisions of State law that were somewhat conflicting. One section of Montana law prohibited bank branches, while another provided that a branch could be established as a result of a bank merger. The latter statute had been enacted during the 1930's and was reported to have been intended for use in emergency situations. The Federal Reserve Bank of Minneapolis understood that the State Attorney General had held that the merger here proposed could take place, but that under the statute the continuing bank could operate only a head office. It was understood also that Northwest Bancorporation had been asked by the Comptroller of the Currency to file a brief on this point, that a State member bank in Billings

was soliciting funds to oppose the merger, and that the National Association of Supervisors of State Banks was considering the question.

At the beginning of the discussion there was agreement with a suggestion by Mr. Leavitt that the conclusion of the report include language stating specifically that the report dealt only with competitive aspects of the proposed merger and did not take into consideration the question of State law that was at issue.

Governor Maisel raised a question whether the Board's supervisory responsibility under the Bank Holding Company Act required that it intercede if a violation of State law was involved.

Staff comments pointed out that there was no application before the Board to be acted upon, and that in any event it did not appear that consummation of the proposed transaction would involve violation of any provision of the Holding Company Act. As to provisions of other Federal banking laws, the staff pointed out that in the present instance the applicant was a national bank. And it would not seem appropriate, in the staff's view, for the Board to attempt to pass on the question of the State branch banking law.

Governor Robertson observed that he felt it would be difficult to substantiate the assertion that the merger would result in a bank that was more competitive than the Butte bank. He suggested changes in the conclusion of the report to remove that assertion and to state in stronger terms the adverse competitive effect of the proposed merger in

view of the increase that would result in concentration of Montana banking resources in bank holding company systems.

The report was then approved unanimously for transmittal to the Comptroller of the Currency in a form in which the conclusion read as follows:

> There is very little present or potential competition to be eliminated by the proposed merger of Daly National Bank of Anaconda, Anaconda, Montana (a subsidiary of Northwest Bancorporation, Minneapolis, Minnesota), and The First National Bank of Butte, Butte, Montana. However, consummation of the transaction would increase the concentration of Montana banking resources held by the parent company while further adding to the already substantial share of such resources controlled by the four holding companies operating in the State. In this respect the competitive effect would be adverse.
>
> This report deals only with the competitive aspects of the proposed merger and does not take into consideration any questions arising under Montana statutes as to whether a bank headquartered in Montana may operate more than one office.

Application of Bank of New York (Items 1-3). There had been distributed drafts of an order and statement reflecting the approval by the Board on October 17, 1966, of the application of The Bank of New York to merge with Empire Trust Company, both of New York, New York. Also distributed was a dissenting statement by Governor Mitchell, in which Governor Robertson concurred.

After a discussion during which there was agreement with changes suggested by Governor Maisel in the majority statement, the issuance of the order and statement was authorized. Copies of the documents, in the

form in which they were issued, are attached as Items 1 and 2. A copy of the dissenting statement by Governor Mitchell, in which Governor Robertson concurred, is attached as Item No. 3.

Miss Hart and Messrs. Egertson and Maguire then withdrew from the meeting.

Voluntary foreign credit restraint program. Pursuant to previous discussions by the Board of the possibility of suspension of the voluntary foreign credit restraint program applying to banks and to nonbank financial institutions (a possibility opposed in principle by Governors Daane and Brimmer), Governor Robertson had conferred with the Cabinet Committee on the Balance of Payments regarding the advisability of such a move in relation to the over-all program of the Administration regarding the U.S. balance of payments problem. The Committee had asked that alternatives to suspension be developed that would achieve the following objectives: (1) reduce or retard the ability of banks to use the present large leeway (over $1.2 billion), and (2) give an additional stimulus to credits to finance exports and to meet the bona fide credit needs of the less developed countries.

Accordingly, at today's meeting Governor Robertson distributed material regarding two alternative revisions of the 1966 guidelines for commercial banks. Both alternatives proceeded from the fact that during the first 9 months of 1966 foreign credits of commercial banks had been reduced by $520 million, with the result that banks were more than $1.2 billion below the 1966 guideline ceiling (109 per cent of the 1964 base).

The first alternative provided that each commercial bank with a 1964 base of $10 million or more be requested to limit the use of its existing leeway so that it did not use more than 40 per cent thereof before March 31, 1967, more than 60 per cent before June 30, 1967, and more than 80 per cent before September 30, 1967. Banks would be requested also not to expand nonexport credits to developed countries between October 1, 1966, and December 31, 1967, by more than 10 per cent of the leeway. For all banks combined, this would permit a maximum expansion of nonexport credits to developed countries of about $120 million. In order to give a relatively larger scope of action to smaller banks so as to enable them more easily to extend export financing, banks with an original base between $500,000 and $10 million, in calculating their leeway, would be authorized to use, instead of 109 per cent of their 1964 base, the amount of that base plus $900,000.

The second alternative would cut the $1.2 billion leeway in half, but banks would not be requested to space out in any particular way their use of the available half of their leeway during the period from October 1, 1966, to December 31, 1967. Within this reduced leeway, banks would be requested to limit the increase in their nonexport credits to developed countries to one-tenth of the total expansion available. The second alternative, like the first, would provide that banks with an original base between $500,000 and $10 million be requested to limit their outstanding foreign credits in 1967 to an amount not greater than their

1964 base plus $900,000 (only 10 per cent of which might be in nonexport credits to developed countries).

The material distributed by Governor Robertson also contemplated substantial changes in the voluntary foreign credit restraint program for nonbank financial institutions in order to simplify both reporting and the guidelines with which the institutions would be requested to comply.

Governor Robertson stated that the objective had been to devise a program for 1967 that would provide some stimulus for export credits and a means of taking care of any foreseeable expansion of those credits, yet would prevent a tremendous outflow of funds. Under the first alternative, which was his preference, regular reporting would indicate the actual outflow and the Board could change the guidelines at any quarter if necessary. The limitation on nonexport credit to one-tenth of a bank's total leeway would press usage of the leeway toward export credits and credits to less developed countries. Under the first alternative, if exports increased during 1967 at the rate that had been suggested by the Department of Commerce, there should be adequate financing available for them. Somewhat different reporting methods would be required: although this might cause some difficulty, many banks had been setting up their records anyway in the manner needed for the changed reporting in order to take advantage of the Export-Import Bank program.

The second alternative, Governor Robertson continued, might have some appeal for those who thought it desirable to show a posture of

severity. However, it would take away half of the leeway banks had achieved by refraining from using to the full the amount of expansion allowed them under the present program; and there would be no real reason other than the fear of a greatly increased outflow.

The special allowance for small banks provided in both alternatives would put such banks in a better position to meet export needs but would not amount to a great deal in terms of dollar outflow. The program for nonbank financial institutions remained in virtually the same terms as had been presented during the Board's recent discussions. It was anticipated that whatever structure of 1967 guidelines the Board agreed upon would be presented to the Cabinet Committee and, assuming its agreement, would be announced at the same time the Administration's 1967 over-all program was announced.

In further comments in response to questions by other members of the Board, Governor Robertson indicated that reliable figures were not available to break down credit for less developed countries according to export and nonexport credit. He also expressed the belief that the special allowance for small banks would do no harm and would satisfy some complaints that they were cramped. A question having been raised as to how a shift within a bank's existing holdings according to export, nonexport, and less developed countries credits would become apparent, Governor Robertson said it was expected that the Federal Reserve Banks would review the situation carefully with each bank.

In response to questions by Governor Daane as to the reason for preference for the first alternative, Governor Robertson commented that if exports increased by $4 billion in 1967, the first alternative would provide the funds to finance them. At the same time, by using a quarterly cumulative basis, developments could be watched and the Board would be in a position to take action if necessary. Specification of the quarterly checkpoints implicitly put banks on notice.

Governor Daane then asked if consideration had been given to rolling back the ceiling to 105 per cent. Governor Robertson replied that that possibility had been considered but was thought to be a less desirable choice. It could easily give rise to complaints from banks that were near their ceilings at present and thus would have no opportunity to finance an expanding export volume.

Governor Daane said he disliked the "Indian giver" aspect of the first alternative, following which Governor Mitchell expressed the view that if the voluntary program was to be continued indefinitely it was not conducive to good relations with the banks if their good performance led to curtailment. He believed there was much to be said for letting banks have the advantage of the headroom they had achieved. The banks' cooperation had been excellent, and it would be well to retain it.

Mr. Solomon (Adviser) remarked that the choice might be whether to appear in the role of an "Indian giver" now or at sometime during 1967. If banks appeared to be using up their leeway rapidly under the

first alternative, the impact of the capital outflow on the balance of payments would put the Board under pressure to retract part of the expansion it had allowed. Moreover, there might be a problem of determining bona fide export financing needs.

After further discussion of technical aspects of the alternative proposals, Governor Brimmer said he had hoped for exploration of a number of combinations other than the ones contained in the two alternatives. He was concerned about the size of the leeway banks would have available under the first alternative. It had been his thought, for example, that the ceiling might be reduced by perhaps a third, with exports exempted within such a quota. He also outlined certain other possibilities.

Governor Robertson expressed the view that if the leeway was cut back at the present time, it seemed probable that the banks would quickly use the full amount of expansion available to them for fear of further cutbacks.

Governor Daane stated that to him the second alternative seemed more consistent with the total balance of payments program. Also, his bias was toward minimum regulation. Maximum regulation required continuing surveillance and refinements. He believed the banks would cooperate if the Board said it must cut the leeway in half in the national interest.

A question having been raised as to procedure, there was agreement that the alternative favored by a majority of the Board would be

presented to the Cabinet Committee, without mention of the remaining alternative unless the one offered initially failed to obtain support.

After additional discussion Governor Shepardson stated, in response to a request by Chairman Martin for a summary of the views of the individual members of the Board, that he continued to favor what apparently it would not be possible to achieve, namely, suspension of the program. If the program must be continued, he would prefer the first alternative, to be presented as a Board proposal with no mention of the second alternative unless the Cabinet Committee found the first one unacceptable.

Governor Mitchell also spoke in favor of the first alternative, adding that if it did not find acceptance he believed the Board should consider the reasons for rejection before an alternative was developed.

Governor Daane expressed the view that there was already a seed of failure in the first alternative in that it allowed too much opportunity for outflow. That, he believed, was contrary to the theory of the over-all effort in regard to the balance of payments. Consequently, he would prefer the second alternative.

Governor Maisel said he would favor the first alternative. He believed the Board had a dual public relations problem--in respect to the Government and in respect to the banks. Full leeway, he suggested, was not being allowed under the first alternative because of the subcategories specified in it. That alternative would have the virtue of

putting tight ceilings on banks that had been using their quotas. It would allow expansion by banks that had stayed under their ceilings, but the probability of full use by those institutions did not seem too great.

Governor Brimmer said he preferred the second alternative. He did not like the idea of giving the banks a leeway of $1.2 billion. Even though the rate of use would be limited by quarters, the banks could accumulate their allowances, and thus by mid-1967 the potential could exist for a substantial outflow over the remaining half of the year. Although it was suggested that cutbacks could be made if too great an outflow developed, he believed such an action would be a shock to the banking community and would raise questions as to the Board's good faith when it put the program together. There was a problem of maintaining the credibility of the program, and for the sake of avoiding damage to credibility he thought it would be better to state the limits at the beginning. Although the first alternative had been presented as an inherently tightening measure, he did not believe it was. In his view, it would not meet the assignment specified by the Cabinet Committee.

At Chairman Martin's request, Governor Robertson commented further on the matter from the point of view of rescinding a privilege previously given. It appeared to Governor Robertson that if such an approach were taken, the reaction of banks would be to use up immediately the remaining leeway for fear it would be withdrawn. He believed that

under the first alternative there would not be an outflow of $1.2 billion, but instead that the recent inflow would be likely to continue at least through the first quarter of 1967. Moreover, he thought the first alternative would be more conducive to continuance of the cooperation banks had previously shown with respect to adherence to the purposes of the program and that there would be little inclination to attempt evasions by trying to represent nonexport as export credits. If that did happen, however, the necessary steps could be taken.

Chairman Martin said he thought the problem of credibility Governor Brimmer had mentioned was a real one. However, he felt it would be minimized if certain developments occurred in the world economy. If conditions became such that it was clear that further restrictions were needed in order to deal with the balance of payments problem, he believed whatever restrictions were necessary would be generally accepted. Moreover, at such a juncture the problem would require a broad-scale Government effort. At this point, he would lean toward giving as much leeway as feasible to banks that had supported the voluntary program.

Governor Shepardson remarked that if the situation worsened appreciably, something stronger than a voluntary program would be called for. He would not like to see the first alternative thought of in terms that adjustments were going to be made according to quarterly experience. He believed a need for adjustment, if it developed, would signify the need for a more fundamental change in the total balance of payments program.

At the conclusion of the discussion it was understood that Governor Robertson would present the first alternative plan to the Cabinet Committee, since it was preferred by all of the Board members except Governors Daane and Brimmer.

Time deposits and financial flows. At this point Messrs. Brill and Partee were joined by other members of the research staff and presented a chart show on time deposits and financial flows. It was understood that the text of the presentation and copies of the charts would be distributed to the members of the Board for study, and Chairman Martin suggested further discussion of the subject by the Board at some convenient time. Copies of the text and of the charts have been placed in the Board's files.

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

Leave of absence for Mr. Altmann. Pursuant to the recommendation in a memorandum dated November 2, 1966, from Mr. Young, Senior Adviser to the Board and Director of the Division of International Finance, the Board approved a leave of absence of not to exceed two years for Murray Altmann, Senior Economist in the Division of Research and Statistics, to permit him to undertake an assignment of organizing and directing a department of research for the Central Bank of Tanzania. It was understood that Mr. Altmann's salary and expenses would be paid by the United Nations.

Foreign travel. The Board approved travel by Mr. Young to Ottawa, Canada, on November 10, 1966, to attend a meeting of the U.S.-Canadian Balance of Payments Committee.

The meeting then adjourned.

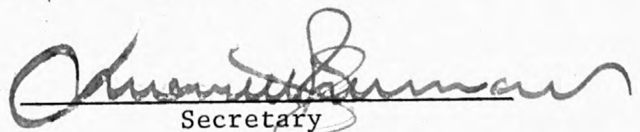
Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Boston (copy attached as Item No. 4) approving the appointment of Paul M. Metzger as assistant examiner.

Letter to the Federal Reserve Bank of Philadelphia (copy attached as Item No. 5) approving the appointment of John P. Lamond and David H. Scott as examiners.

Memorandum from the Office of the Controller dated November 4, 1966, submitting a request from the Division of Personnel Administration for authorization to establish a new position of Clerk-Typist in that Division.

Memorandum from the Division of Bank Operations dated November 3, 1966, recommending that Charles W. Bennett, Analyst in that Division, be designated to serve as a witness to the mutilation of facsimile signature plates of Reserve Bank officers in place of Robert B. Haycock.



Secretary

Item No. 1
11/7/66

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

THE BANK OF NEW YORK

for approval of merger with
Empire Trust Company

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 The Bank of New York, New York, New York, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Empire Trust Company, New York, New York, under the charter and title of The Bank of New York. As an incident to the merger, the two offices of Empire Trust Company would become branches 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 7th day of November, 1966.

by order of the Board of Governors.

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

Voting against this action: Governors Robertson and Mitchell.

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 2
11/7/66

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION OF THE BANK OF NEW YORK
FOR APPROVAL OF MERGER WITH
EMPIRE TRUST COMPANY

STATEMENT

The Bank of New York, New York, New York ("BONY"), with total deposits of about $823 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 Empire Trust Company, New York, New York ("Empire"), which has total deposits of about $295 million.[1] The banks would merge under the charter and title of BONY. As an incident thereto, the two offices of Empire would become branches of BONY, increasing the number of its offices to eight.

Competition. - The head office of each bank is situated in the downtown financial district of New York City. The five branch offices of BONY are in the midtown section of Manhattan, as is the single branch of Empire. Both banks are essentially wholesale institutions, dealing in large loan and deposit relationships, and offering specialized services. BONY has made an effort in recent years to attract retail business, savings and special checking accounts.

1/ Figures are as of March 31, 1966.

Empire is one of the few remaining commercial banks in the metropolitan area which confines itself to wholesale business. The retail market is considered to be preponderantly local in character, and dependent largely on branching locations, although capable of being expanded to some extent through banking by mail, specialized mobile offices, and the like. In that market, Empire and BONY are not present competitors. Nor is it probable that the two would compete in this field in the future, were the application denied, since Empire lacks resources to acquire the branches that would be needed for any important expansion into retail banking.

After consummation of the merger, both former offices of Empire would, of course, offer retail services, and the addition of two offices to its present system would make BONY a slightly stronger competitor in the retail banking field. Nevertheless, the effect on competition in the relevant market, whether regarded as the metropolitan area, the City of New York (comprising the five boroughs), or the borough of Manhattan, would be minimal. The resulting bank would operate, for example, eight out of some 700 banking offices in New York City and some 350 in Manhattan or about 1 and 2 per cent, respectively. Moreover, each of the eight offices of the two banks is located in a highly competitive area with numerous offices of commercial banks in the immediate vicinity.

In the wholesale banking field, there is competition between BONY and Empire, but this competition is not regarded as important. The two institutions are relatively specialized, BONY having developed expertise and customer connections in the fields of transportation,

communications, public utilities, commodities, and durable goods manufacturing, while Empire has emphasized the oil and natural gas, chemical and drug industries. Nevertheless, changes in emphasis could bring the two into more active competition in the future, if the merger did not take place. In addition, the two banks presently compete in the personal and corporate trust areas.

In the wholesale field, however, BONY and Empire compete with other institutions of comparable and larger size in a market that is far broader than New York City, that is indeed national, and at times international, in scope. In this broader market, each plays a relatively minor role. Reliable figures on the wholesale market, as such, are not readily available, but taking the relative importance of the two banks in the New York City banking structure as a rough indicator, the resultant bank would have only about 2 per cent of total deposits and would rank ninth among commercial banks headquartered in New York City, as against 1.5 per cent of such deposits and a rank of tenth for BONY at present. Accordingly, the merger would tend to create a slightly stronger competitor for the largest banks not only in New York but in other financial centers as well.

The competitive effects of the proposal would not be significantly adverse.

<u>Financial and managerial resources and future prospects</u>. - The banking factors with respect to both BONY and Empire are satisfactory, and would be satisfactory with respect to the resulting bank.

Convenience and needs of the communities. - Customers of the two banks would benefit to some extent from the availability of a larger lending limit as a result of consummation of the merger. Both BONY and Empire have experienced some difficulty in serving customers that have grown to a size where banking prudence or statutory limits prevented one bank or the other from maintaining its "lead" position in loans to such customers. In addition, strengthening of the international department of the combined bank, as a result of the merger, would be of some benefit to that segment of the community which is interested in international trade.

Summary and conclusion. - In the judgment of the Board, the effect on banking competition would not, on balance, be significantly adverse and there would be some benefit to the community as a result of the increased lending limit and improved international department of the resulting bank.

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

November 7, 1966.

Item No. 3
11/7/66

DISSENTING STATEMENT OF GOVERNOR MITCHELL
IN WHICH GOVERNOR ROBERTSON CONCURS

In the world's largest financial center the merger of two banks, one with $932 million in resources and the other with $341 million, is likely to be slurred over as an insignificant transaction because of the giant size of the major banks in that community. But, looking at the United States instead of New York, even the smallest of these two banks is a large bank. Each is among the 1 per cent or so of U.S. banks that control over 50 per cent of the nation's deposits. Combined, they will become the 35th or 36th largest bank in the country. No merger resulting in a $1 billion bank can be dismissed summarily as one unlikely to have a substantial effect on banking competition.

Both banks serve some routine local needs for which there are numerous banking office alternatives, but in the aggregate these activities appear to constitute only about 10 per cent of their business. Our concern is for the particular needs of industrial or public utility-type customers in which both banks have specialized. These clients are in New York, elsewhere in the nation, and abroad. The record shows that such services are available at other large New York banks with whom the on-going bank expects to be in more aggressive competition.

The managements of both banks clearly are of the view that their corporate interest will be served by the merger. But the Board's responsibility is to consider the implication for the public interest. Size alone, in a financial institution, is not necessarily inimical to

the public interest, and even if achieved by merger, the anticompetitive effects of great size can be outweighed by other factors under the statute. In this case, however, the applicant desires increased size in order more aggressively to seek out and service larger corporate customers than either of the proponent banks individually is now able to satisfy. In this frame of reference, what happens to the less formidable among their present customers? Potentially--and in our judgment--they may well get the kind of attention that goes to less-than-carload-lot customers when the same salesman handles carload lots, and sees the possibility of a trainload sale!

Many alternatives for financing and technical industrial know-how are available to our largest corporations at several large U.S. and foreign banks. The intermediate and smaller-sized company's business is not so prized. The applicant has made it plain that it seeks such business now only in default of larger accounts. It asks for approval of this merger in order to enable the on-going bank "to compete more effectively with the larger wholesale banks for a principal role in serving commercial customers [of BONY] with growing credit requirements." The applicant believes that a higher loan limit will enable the on-going bank "to compete for position as a principal bank of the large corporate customers of Empire which now use that bank chiefly for special banking and financial services and do not utilize it as one of their principal banks in New York City." In a world in which time, attention, and credit are not unlimited, the moderate-sized customers for whom each now serves as a principal bank will be left to fend for themselves as best they may.

The anticompetitive effects of the proposed merger not only are not outweighed by the probable effect of the transaction in meeting the convenience and needs of the community to be served, but are reinforced in our view by an actual detriment to present customers of both banks.

We would deny the application.

November 7, 1966.

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Item No. 4
11/7/66

November 8, 1966

Mr. Luther M. Hoyle, Jr., Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Hoyle:

In accordance with the request contained in your letter of November 1, 1966, the Board approves the appointment of Paul M. Metzger as an assistant examiner for the Federal Reserve Bank of Boston. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Item No. 5
11/7/66

November 8, 1966

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Mr. Campbell:

In accordance with the request contained in your letter of November 2, 1966, the Board approves the appointments of John P. Lamond and David H. Scott, at present assistant examiners, as examiners for the Federal Reserve Bank of Philadelphia, effective December 26, 1966.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.