

122.7 - FR BRANCHES
BOUNDARIES FR DISTRICTS (1953-1954)

TRANSFER

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Part 1.

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

REC'D FILES SECTION
MAR 23 1954
122

MAR 22 1954

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK

file 12-7
Referring to Board's telegram of February 9, 1954, April 1, 1954,
is the effective date for the transfer of the counties of Ontario,
Steuben, Wayne and Yates in New York State from the Head Office
territory to that of the Buffalo Branch.

(SIGNED) S. R. CARPENTER

Carpenter

[Handwritten signature]

LSM:pbi
3-22-54

1/8
AS
FILE COPY

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REC'D IN FILES SECTION

MAR 2 1954 *ml*

122.7

R&S-2018 (On office
(copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 1, 1954.

Dear Sir:

As you may have noted, the map on the last page of the Federal Reserve Bulletin has been revised to show the recent change in the boundary of the area served by the Detroit Branch and has also been improved in a number of other minor respects.

Reprints of the new map, with the addresses of all of the Banks and Branches, are available from the Board's Division of Administrative Services.

Very truly yours,

Guy E. Noyes
Guy E. Noyes, Assistant Director,
Division of Research and Statistics.

TO HEADS OF RESEARCH AT ALL RESERVE BANKS

GEN:rds

MAR 1 1954 *mt*122.7
February 26, 1954. *v*

Board of Governors
Division of Bank Operations

Federal Reserve Bank studies
of district and branch
territory boundaries

This memorandum is for the Board's information only and requires no action.

To date, eight Federal Reserve Banks have advised the Board in response to a suggestion, originally made at the joint meeting with the Presidents on March 5, 1953, that they undertake studies of existing district and branch territory boundaries to ascertain whether changes seem desirable in order that the Reserve Banks might serve their member banks more effectively.

Advices have not yet been received from Cleveland, St. Louis, Minneapolis, and Kansas City.

Statements received from Boston, Philadelphia and Dallas conclude there is no need for such changes in their districts at this time.

The following is a summary of the other advices received:

X 1/28/54
New York. Transfer of four counties (Ontario, Yates, Wayne and Steuben in New York) to the Buffalo Branch recommended by the Bank and approved by the Board. Details now being worked out.

X 2/18/54
Richmond. No change recommended at this time. With the completion of highway development plans linking northern and southern sections of West Virginia with Charleston, further analysis might support the establishment of a branch or other facility at Charleston. An extension of mail service from Baltimore might at some future time justify the transfer of two Eastern Shore counties to the Baltimore territory.

(2/19/54)
Atlanta. While no change is recommended at this time, the Bank will likely recommend the transfer of southeastern Alabama from the Head Office to the Birmingham Branch when the facilities at Birmingham are enlarged.

X 11/10/53
Chicago. Pursuant to a specific request by the Board, a study is now in progress regarding the effect of establishing additional offices in the Seventh District on the volume of work at the head office and the effect of such decentralization upon head office employment and space requirements. (Transfer of the remaining 49 counties in the lower peninsula of Michigan to the Detroit Branch was recommended by the Bank and approved by the Board, effective January 2, 1954.)

X 12/9/53
San Francisco. No change recommended at this time; consideration of expansion of the Los Angeles Branch territory to include three additional counties (Kern and San Luis Obispo counties in California and Clark County in Nevada) postponed pending receipt of report by the Joint Committee on Check Collections.

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WMB
WMB:pbi
LSM

AK *my*

FOR FILE
L. A. SCHEIDT

REC'D IN FILES SECTION 73
FEB 10 1954
122.7
Date February 26, 1954.

Office Correspondence

To Board of Governors

Subject: Federal Reserve Bank studies of district and branch territory boundaries

From Division of Bank Operations

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My
RA

- For Circulation, First to Mr. *Szymczak*
- Mr. Szymczak
- Mr. Evans
- Mr. Vardaman
- Mr. Mills
- Mr. Robertson
- Mr. Martin

Please note, check return to Mr. Brown

[Handwritten signature]

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

RECEIVED IN FILED SECTION
FEB 11 1954
132-7

TO THE PRESIDENTS OF ALL FEDERAL RESERVE
BANKS EXCEPT NEW YORK

FEB - 9 1954

At December 15, 1953, joint meeting of Board and Presidents, one President mentioned that it would be helpful if all Reserve Banks were informed when any changes in branch territories were contemplated, since it would be convenient from several operating standpoints if changes were made at or about the same time.

Board has approved transfer of counties of Ontario, Steuben, Wayne, and Yates in New York State from New York Head Office territory to that of Buffalo Branch. Certain details have to be completed, and Board will advise you when effective date of change is determined.

(SIGNED) S. R. CARPENTER

Carpenter

LSM:pbi
2-8-54

My
[Handwritten initials]

FILE COPY

to JOB

REC'D IN FILES SECTION
CAB MAY 13 1954
122.7

12/14/53

8. Study of territories of Federal Reserve Banks and branches

Reference was made to the ^{324. 3/2/53} request of the Board at the joint meeting with the Presidents on March 5, 1953, that the respective Presidents quietly undertake studies of existing Federal Reserve Bank and branch territories and advise the Board whether there were changes that would seem desirable in order that the Reserve Banks might serve their member banks more effectively.

Governor Vardaman made a statement in which he referred to the changes in trade channels and methods of communication which have occurred since the establishment of the existing Federal Reserve Bank territories and stated reasons why he felt that the Federal Reserve System should take the initiative in making a careful study of possible changes, which might involve the establishment of additional branches.

During a discussion which followed, Chairman Leach referred to conditions in the Fifth Federal Reserve District which led him to conclude that improvements in services rendered to member banks would not be achieved by the establishment of additional branches or by redistricting.

^{122.7 (12)}
President Earhart commented on a study of the boundaries of the Los Angeles Branch zone, as reported in a letter which he had addressed to the Board under date of December 9, 1953. He remarked, in this connection, that it would be helpful if all Federal Reserve Banks were informed when any changes in branch territories were contemplated, since it would be convenient from several operating standpoints if changes were made at or about the same time.

Following a statement that the Board would be interested in receiving reports from all of the Reserve Banks, President Bryan inquired as to the type of investigations desired by the Board. Chairman Martin responded that what the Board wanted was current information based on studies made inside the Federal Reserve Banks which would be useful if, for example, requests were received for additional branches.

Excerpt from Pres. Conf. Minutes 324. 12/14/53

IN FILES SECTION
NOV 27 1953
122-7
November 25, 1953

Files

Changes in Federal Reserve Bank

John J. Hurley

and Branch Territories.

At Mr. Leonard's request I have had the Minutes and Indexing Unit of the Secretary's Office search their records to ascertain if there has been any changes in either Federal Reserve District lines or branch territories since December 31, 1942. This is the last time this data was published in the Board's annual report.

The "minute unit" have advised me that the last change was the transfer of Brewster County, Texas, from the San Antonio branch territory to the El Paso branch territory. The Board approved the transfer December 14, 1942 and it was effected January 2, 1943. The change is shown in the 1942 annual report.

*see letter 12/14/42
filed 301.1 (11)*



JJH:vj

FILE COPY

FOR FILES
L. J. Hurley

REC'D IN RECORDS SECTION
SL
MAR 27 1957
122.7

Excerpt from minutes of the meeting of the Board of Governors,
October 21, 1953:

10/31/53

Governor Vardaman made a statement in which he proposed the need for an over-all study of Reserve Bank and branch territories and, in this connection, reference was made to the request of the Board at the joint meeting with the Presidents of the Federal Reserve Banks on March 5, 1953, that the Presidents quietly undertake to study informally within their respective districts the question whether changes in transportation facilities and other conditions since the existing Reserve Bank and branch territories were established would call for changes in such territories to enable the Banks and their branches to serve their member banks more effectively.

Governor Robertson suggested that the necessary steps be taken to have this matter placed on the agenda for further consideration at the next meeting of the Presidents' Conference.

(copied from excerpt sent to Mr. Daniels in connection with discussion of proposed Louisville building)

JUN 17 1953

122.7

June 10, 1953. *mm*

Chairman Martin

R. F. Leonard

28

Attached for your consideration is a draft of comments which might be made in discussing with the Presidents the study which has been suggested regarding Federal Reserve district and branch boundaries.

Attachment

*Copies filed
30/1
30/1*

REL:jbs

RF

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FOR FILES
B. B. Smith

JUN 17 1953

Draft of Comments the Chairman Might
Make in Discussing with the Presidents
the Suggestion that a Study be Made of
Federal Reserve Bank and Branch Territories.

At the March meeting of the Conference I suggested that the Presidents review quietly the situations in their respective districts to ascertain whether developments since existing boundaries were established would call for changes in district lines or branch zones. We are wondering how far such studies have gone and what they indicate so far.

The purpose of the suggestion was not to encourage or discourage additional branches or changes in district boundaries. However, the district boundaries were determined forty years ago and all but two of the branches were established over thirty years ago. Since the boundaries were first established changes in them have been very few. Accordingly, it seemed desirable that the Reserve Banks and the Board review the over-all situation in the endeavor to determine whether the boundaries are now well adapted to serve agriculture, commerce, and industry, or whether changes should be made to improve the services for which the Reserve Banks were established.

The Board has taken the position that branches should not be established merely to gratify civic pride. It does not seem reasonable that a branch be established to promote the development of a financial center. We can hardly afford, however, to ignore changes that have developed over a long period of time.

Obviously, data to be comprehended in any such studies would include factual data which are matters of record and can be studied objectively, such as:

1. Volume and trends of bank deposits and debits.
2. Other economic data, with particular reference to trends, which reflect growth or shifts in business activity.
3. Transportation facilities, and time and distance of areas from a Federal Reserve office.

FOR FILES

b. h. Smith

AE

Equally important are developments and trends in business which do not lend themselves so readily to statistical analysis. For example, do communities which formerly looked to one city as their shopping and financial center now look to another; have shifts in the direction of business activity occurred to such an extent as to indicate that areas formerly best served from one Federal Reserve office would now more logically be served from another?

We are concerned about keeping the Federal Reserve organization a living and growing one, best adapted to serving the country's needs as they may change from time to time, and are not content simply to maintain a rigid and perhaps outmoded pattern.

Last March I suggested that for obvious reasons the review be made without entering into discussions with member banks at this stage. I believe we should continue the study in that fashion.

RFL:jbs
6-10-53

FEDERAL RESERVE BANK BRANCH ZONES
Changes in Territory

REC'D IN RECORDS SECTION
FEB 25 1957
122.7

October 1, 1938

The following counties in Washington:

Asotin	Garfield
Columbia	Walla Walla

6-18-53

The following counties in Idaho:

Benewah	Idaho	Shoshone
Bonner	Kootenai	Nez Perce
Boundary	Latah	
Clearwater	Lewis	

transferred from Seattle Zone to Portland Zone

October 1, 1938

Spokane Branch discontinued

November 1, 1938

Calhoun and Refugio Counties, Texas, transferred from San Antonio Zone to Houston Zone.

June 1, 1940

Presidio County, Texas, transferred from San Antonio Zone to El Paso Zone

July 1, 1940

Sixteen counties in North Carolina transferred from Richmond Head Office territory to Charlotte Branch territory:

Alamance	Davie	Montgomery	Rockingham
Anson	Forsyth	Moore	Stokes
Chatham	Guilford	Randolph	Surry
Davidson	Lee	Richmond	Yadkin

Nov. 16, 1942

City of Newport, Jackson County, Arkansas, transferred from Head Office Zone to Little Rock Zone.

Jan. 2, 1943

Brewster County, Texas, transferred from San Antonio Zone to El Paso Zone.

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368

REC IN FILES SECTION
cab FEB 25 1954
122.7(1)
ch

FEB 24 1954

Mr. Joseph A. Erickson, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Erickson:

Thank you for your letter of February 9 stating that your Bank has made studies concerning the desirability of changes in existing First District boundaries and establishment of branches within the District.

It is noted that no demand by member banks for such changes has come to your attention; that each banking point in the District can be reached by overnight rail or bus transportation from Boston; that no large population shifts have developed in New England; that no pronounced shifts in long established trade and banking channels or relationships have taken place; and that, accordingly, your Bank has concluded it would at present serve no useful purpose and would not be desirable for District lines to be changed or for any branch to be established within the First District.

Very truly yours,

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

NOT ENTERED IN MINUTES
OF THE BOARD

- For Approval, *Szymczak*
- First to Gov. *Szymczak*
- Gov. Szymczak *Szymczak*
- Gov. Evans *Szymczak*
- Gov. Vardaman *alec*
- Gov. Mills *✓*
- Gov. Robertson *✓*
- Chm. Martin *✓*

Approved
MINUTES ON
Olew
FEB 24 1954

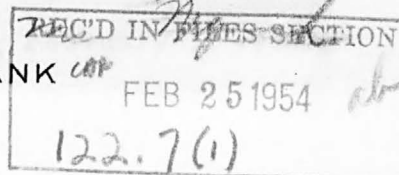
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WMG:pbi
2-18-54

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FOR FILES
D. K. Vigeant

FEDERAL RESERVE BANK
OF BOSTON



JOSEPH A. ERICKSON
PRESIDENT

February 9, 1954

Board of Governors of the
Federal Reserve System
Washington, D. C.

Gentlemen:

As requested by the Board at its joint meetings with the Presidents on December 15, 1953, we have made studies within the bank concerning the desirability of changes in the existing lines of the district and the establishment of branches of this bank within the district.

After careful review of the matter, we have concluded that presently it would serve no useful purpose and would not be desirable for the district lines to be changed or that any branch be established within it. There has been no demand by member banks for any such changes in the present situation so far as we know and we believe that if any sentiment of this nature existed it would have come to our attention either by direct communication or through our annual stockholders' meeting, at which an opportunity is given all member bankers to express their ideas, the state banking associations, or in some other way.

Apart from this consideration our review disclosed no areas within the district which seemed on independent examination to require any change in the district lines or the establishment of a branch. Greatly improved transportation and communication facilities and methods have had the effect of bringing closer to the Reserve Bank all parts of the district. The major developments in this field have been improved air transportation; recently inaugurated pick-up and delivery service of checks and money; pending organization of regional clearing arrangements; greater use of direct forwarding of cash items; and improved wire transfer services. There is no banking point in the district which cannot be reached by overnight rail or bus transportation service from Boston.

Another factor that led us to this conclusion was the absence of any large population switches within the district. Unlike some regions

RE IN FILES SECTION
MAR 23 1954
122.7 (2)

MAR 22 1954

Mr. Arthur H. Willis, Secretary,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Willis:

Acknowledgment is made of your letter of March 18 in response to the Board's letter of February 8, advising that April 1, 1954, has been established as the effective date for the transfer of the counties of Ontario, Steuben, Wayne and Yates in New York State from the Head Office territory to that of the Buffalo Branch.

It is noted that a copy of the by-laws of the Bank (and its Buffalo Branch) reflecting the change in territory will be forwarded to the Board at an early date.

Very truly yours,

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

Copy filed 303. (2)

LSM:pbj
3-22-54

FILE COPY

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REC'D IN FILES SECTION
MAR 22 1954
122.7 (2)
March 22, 1954.

Mr. Carpenter
R. F. Leonard

letter
On February 8, 1954 the Board advised the Federal Reserve Bank of New York that it approved the transfer of four counties, Ontario, Steuben, Wayne, and Yates, from the Head Office territory to that of the Buffalo Branch, and requested the Bank to notify the Board as soon as the effective date of the change had been determined.

In a letter dated March 18 the Bank advised the Board that the change would be effective April 1, 1954 and that announcement to that effect would be made March 22.

RFL:js

FILE COPY

FOR FILES
L. A. Smith

MAR 23 1954

March 22, 1954.

Mr. Carpenter

R. F. Leonard

see letter

On February 8, 1954 the Board advised the Federal Reserve Bank of New York that it approved the transfer of four counties, Ontario, Steuben, Wayne, and Yates, from the Head Office territory to that of the Buffalo Branch, and requested the Bank to notify the Board as soon as the effective date of the change had been determined.

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RFL:jbs

*I gave above info to Miss Baris office and
to Miss Grunwell.
my 3-22-54*

PSUR

REC'D IN FILES

March 22, 1954.

MAR 26 1954

Mr. Carpenter:

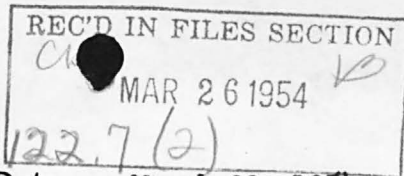
You may wish to report this
at Board Meeting.

R.F.L.

*See minutes
3/22/54
Jan*

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence



Date March 22, 1954.

To Mr. Carpenter

Subject: _____

From R. E. Leonard

RE

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*See minutes
2/22/54
jam*

FEDERAL RESERVE BANK
OF NEW YORK

Mr. Leonard
Mr. [unclear]
REC'D IN FILES SEC
OK MAR 23 1954
12217 (2)
NEW YORK 45, N. Y.

March 18, 1954

Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

S i r s :

Reference is made to the Board's letter of February 8, 1954 approving the transfer of the counties of Ontario, Steuben, Wayne and Yates in New York State from the head office territory to that of the Buffalo Branch and requesting that this Bank notify the Board as soon as the effective date of the change has been determined.

This is to inform the Board that our directors, at their meeting today voted to amend, effective April 1, 1954, Article I, Section 2 of the By-laws of the Buffalo Branch of this Bank to read as follows:

"Section 2. Branch territory. - The territory apportioned to the Branch shall be that part of the State of New York included in the counties of Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, Wyoming and Yates."

This action established the date of April 1, 1954 as the effective date for the change in the territory assigned to the Buffalo Branch, and the change is being publicly announced to take effect on that date, through a release to the press for publication on March 22.

A copy of the complete by-laws of this Bank (and its Buffalo Branch) reflecting the above-mentioned amendment will be forwarded to the Board at an early date.

Respectfully,

Arthur H. Willis
Arthur H. Willis,
Secretary.

copy filed 303. (2)

[Handwritten signature]

278
 READ IN FILES SECTION
 FEB 12 1954
 122.7(2)
 26

FEB - 8 1954

Mr. Allan Sproul, President,
 Federal Reserve Bank of New York,
 New York 45, New York.

Dear Mr. Sproul:

Referring to your letter of January 28, 1954,
 the Board approves the transfer of the counties of Ontario,
 Steuben, Wayne, and Yates in New York State from the Head
 Office territory to that of the Buffalo Branch.

For Approval,

First to Gov. *Szymczak* It will be appreciated if you will notify the
 Gov. Szymczak Board as soon as the effective date of the change is
 Gov. Evans determined.
 Gov. Vardaman ✓

Yours very truly,

SEE ATTACHED MEMORANDUM

Gov. Mills ✓
 Gov. Robertson ✓
 Chm. Martin ✓
 FROM: *Dir. of Bank Ops*
 DATE: *2-2-54*

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
 Secretary.

If you approve, please
 initial and return to
 Mr. Brennan

WMG/rb
 2/2/54

Approved

MINUTES ON

FEB 8 1954

FILE COPY

FOR FILES
 ZOE GRATSIAS

REC'D IN FILES SECTION
122.7 (2)
FEB 2 1954
February 2, 1954

Board of Governors
Division of Bank Operations

Proposed transfer of four additional counties in New York State to Buffalo Branch territory. *John*

with copy
Attached is a letter dated January 28, 1954, from President Sproul of the Federal Reserve Bank of New York reporting on developments regarding the proposed transfer of the counties of Ontario, Steuben, Wayne, and Yates in New York State from the Head Office territory to that of the Buffalo Branch and requesting approval by the Board of this change.

Following receipt of the Board's letter of November 5, 1953, concurring in the Reserve Bank's view that a survey of banks affected by this proposal would be appropriate, officers of the New York Bank and the Buffalo Branch discussed the proposal with representatives of all banks located in the four counties in question. Mr. Sproul reports that all the bankers interviewed are in accord with the proposed transfer and that some favor it enthusiastically. The directors of the New York Bank, acting upon the recommendation of the Buffalo Branch directors, voted on January 21, 1954, subject to the approval of the Board of Governors, to add the above-mentioned counties to the Buffalo Branch territory.

Attached is a draft of a letter approving the proposed change.

Attachment.

WMG/rb *WMB*
My
John

FILE COPY

FOR FILES
L. B. Smith

FEDERAL RESERVE BANK
OF NEW YORK

W. J. [unclear]
W. J. [unclear]
REC'D IN FILES SECTION
FEB 12 1954
122.7 (2)
NEW YORK 45, N. Y.
January 28, 1954. *zh*

Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

S i r s :

The Board was advised in my letter of October 27, 1953, that the officers and directors of this Bank had concluded, from a study of the Second Federal Reserve District and the Buffalo Branch territory, that it would be appropriate to enlarge the Buffalo Branch territory to include the Counties of Ontario, Steuben, Wayne and Yates in New York State which are now part of the head office territory; and, in the absence of objection by the Board of Governors, to seek the views of the member banks which would be affected by the proposed change in the apportionment of territory between the head office and the Branch.

After receipt of the Board's letter of November 5, 1953, advising us of its concurrence in the view that such a survey of the banks concerned would be appropriate, officers of this Bank and of the Buffalo Branch discussed the proposal with representatives of all the banks and branches of banks (both member and nonmember) located in the four counties in question. All the bankers are in accord with the proposed transfer; some favor it enthusiastically. The enclosed summary memorandum dated December 23, 1953, by Mr. Myers, Assistant Cashier of the Buffalo Branch, is a report on the interviews of the bankers in the affected counties.

In view of the results of this survey, our board of directors, on January 21, 1954, acting upon the recommendation of the directors of the Buffalo Branch, voted, subject to the approval of the Board of Governors, to add to the territory apportioned to the Buffalo Branch the Counties of Ontario, Steuben, Wayne and Yates so that the Buffalo Branch territory shall comprise the Counties of Monroe, Livingston, Allegany, Orleans, Genesee, Wyoming, Cattaraugus, Niagara, Erie, Chautauqua, Ontario, Steuben, Wayne and Yates.

FOR FILES
ZOE GRATSIAS

1/28/54

We request approval by the Board of Governors of the proposed change in the Buffalo Branch territory. After receipt of advice of such approval we will perfect the details for consummating the change, including the determination of the effective date of the change, an appropriate amendment to the by-laws of the Buffalo Branch, and the issuance of appropriate notices and instructions.

Yours faithfully,



Allan Sproul,
President.

Encl.

OFFICE CORRESPONDENCE

DATE December 23, 1953
 TO I. B. Smith, Vice President
 FROM M. M. Myers, Assistant Cashier

 SUBJECT: Proposed transfer of additional
territory to Buffalo Branch

The visits made during the weeks of December 7 and December 14 by Messrs. Walton and Myers to the banks and branches located in the counties of Ontario, Steuben, Wayne and Yates for the purpose of discussing the proposal to transfer these counties from the New York to the Buffalo Branch territory were completely successful. All bankers are in accord with the proposed transfer, although in six instances some questions were raised as to procedural changes which would result from the realignment of territory. However, in each case our explanation of the various factors removed any criticism concerning the proposal. The banking institutions in this area consist of:

Member banks	24
Nonmember banks	7
Savings bank	1
Branches of Rochester banks:	
Member	9
Nonmember	2
TOTAL	43

Following is a tabulation of the present methods used for the collection of outside checks by member banks and branches:

	<u>No. of Banks</u>
Immediate checks to New York Office	15
Second District checks to New York Office	3
Buffalo Branch	1
Other District checks to New York Office	3
Buffalo Branch	1
One-day unsorted letter to New York	1
Mixed deferred letter to New York Office	7
Buffalo Branch	9
Checks to correspondent banks	15

 FOR FILES
 ZOE GRATSIAS

OFFICE CORRESPONDENCE

DATE December 23, 1953TO I. B. Smith, Vice President
FROM M. M. Myers, Assistant CashierSUBJECT: Proposed transfer of additional
territory to Buffalo Branch

- 2 -

From these figures it appears that the volume of checks which will be received by the Buffalo Branch following the transfer of territory will be relatively small since only 14 additional letters will be sent to Buffalo instead of to New York. Our conversations with the officers, however, indicated that there is a possibility that some of the banks now collecting checks through their correspondent banks may resume the use of the Federal Reserve System for this purpose.

Regarding the remittance for cash letters received from both the New York and Buffalo Offices, it was learned that 24 banks and branches now authorize a charge to their reserve accounts whereas 18 remit by draft on correspondent banks. (The Geneva Savings Bank receives no cash letters from either New York or Buffalo).

Cash requirements for the banks in the four counties are provided as follows:

28 banks and branches order directly from our New York Office
11 banks and branches now order money from the Buffalo Branch,
10 of which are represented by branches of Rochester banks

It is estimated that between \$8,000,000 and \$9,000,000 in required reserves would be shifted to the Buffalo Branch from the Head Office if the transfer of the four counties is effected.

In view of the favorable reaction of the officers of all of the banks and branches located in the four counties, and of the senior officers of the Rochester commercial banks which operate branches in the territory involved, I believe the transfer of the four counties can now be effected as soon as approved by our Head Office and by the Board of Governors.

REC'D IN FILES SECTION
cat NOV 12 1953
122.7 (2)

NOV -5 1953

Mr. Allan Sproul, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Sproul:

In your letter of October 27, 1953, you advise that, as a result of a study made of Federal Reserve Bank and branch boundaries, the officers and directors of your Bank have concluded that there is no need for change in the boundaries of the District, but that it would be appropriate to transfer the counties of Wayne, Ontario, Yates, and Steuben in New York State from the head office territory to the branch territory.

The Board concurs in your belief that, as the next step, it would now be appropriate to seek the views of the member banks that would be affected by the proposed change, and will be interested in learning of the results and of the recommendation of your directors in the light of the survey.

It is noted that in the study consideration was given to the transfer of additional counties to the branch territory but that, because of the desirability of having the head office and branch territories coincide with State banking district lines, it was felt further extension of the branch territory is not warranted at this time and that the possibility should be reserved for further consideration in the light of any change in conditions.

Very truly yours,

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

Approved
MINUTES ON
Done
NOV - 5 1953

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RFL:jbs:st

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FOR FILES
D. K. Vigeant

Banking Districts of New York State per New York State Law

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C# NOV 12 1953
122.7 (2)

file 11/5/53
A

District I

Kings
Queens
Suffolk
Nassau

District II

Richmond
New York
Bronx

District III

Ulster
Sullivan
Orange
Dutchess
Putnam
Rockland
Westchester

District IV

Clinton
Essex
Warren
Saratoga
Washington
Schoharie
Albany
Greene
Rensselaer
Columbia
Schenectady
Otsego
Fulton
Montgomery
Hamilton

District V

Franklin
Jefferson
St. Lawrence
Lewis

District VI

Cayuga - Auburn
Onondaga - Syracuse
Oswego - Oswego and Pulaski
Madison - Wangserville
Oneida - Rome and Utica
Herkimer - Herkimer
Seneca - Ovid and Waterloo

District VII

Chemung - Elmira
Tioga - Owego
Tompkins - Ithaca
Broome - Binghamton
Schuyler - Watkins Glen
Chenango - Norwich
Cortland - Cortland
Delaware - Delhi

District VIII

Steuben - Bath
Monroe - Rochester
Livingston - Geneseo
Wayne - Lyons
Ontario - Canandaigua
Yates - Penn Yan

District IX

Allegany - Belmont
Niagara - Lockport - Niagara Falls
(78,000)
Erie - Buffalo
Chautauqua - Mayville - Jamestown
(43,000)
Orleans - Albion
Genesee - Batavia
Wyoming - Warsaw
Cattaraugus - Little Valley

JJH

FOR FILES
D. K. Vigeant

FILED IN FILES SECTION
OCT 5 1953
122.7 (2)

November 5, 1953

Board of Governors
Division of Bank Operations

Study of Second District
boundaries recommending further action
on changes in Buffalo Branch territory.

Attached is a letter dated October 27, 1953, from President Sproul of the Federal Reserve Bank of New York and an accompanying report entitled, Study of Boundaries of the Second District and of Territory Assigned to Buffalo Branch. This study was undertaken as a result of the suggestion made at the joint meeting of the Board and the Presidents last March.

As a result of the study the officers of the Bank have concluded:

1. That there is no need to change the boundaries of the district.
2. That it would be appropriate to transfer to the branch territory the four counties comprising the western most tier of counties in the head office zone.

The head office directors concur in the above conclusions and the branch directors concur in the conclusions with respect to the boundaries of the branch territory.

The principal reason for selecting these four counties is that the Banking Law of New York State divides the State into nine banking districts and stipulates that a bank may open branches only in its own district. By adding the above-named counties, the Buffalo Branch territory would coincide with the Eighth and Ninth New York Banking Districts. The report states that this arrangement would be administratively more convenient, especially since four Rochester banks (three member banks and one nonmember clearing bank) have an aggregate of ten branches in the four counties mentioned.

The four counties have 24 member banks with total deposits of \$83,020,000 and eight nonmember banks (including one savings bank and two nonmember clearing banks) with total deposits of \$41,562,000, as of June 30, 1953.

The study states that certain considerations might also suggest the transfer of some counties in the Sixth and Seventh Banking Districts but that inclusion of either district, each of which extends far over into head office territory would not be warranted at present, but that such possibilities should be reserved for future consideration in the light of any change in conditions.

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NOT FILED
J. A. Smith

11/5/53
Since there has been no discussion of this matter with member banks or others, no information is available regarding the reaction of those banks affected. Unless the Board interposes an objection, the New York Bank now proposes to solicit the opinion of the bankers on this matter as a step preliminary to reaching a final decision on whether to ask the Board's approval of this change. Attached is a proposed letter (to President Sproul stating that the Board has no objection to this step.

Attachment

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RFL

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DEC 14 1953

122.7(2)
November 4, 1953

FILES

W. M. Graham

Summary of study of Second District
boundaries recommending changes in Buffalo
Branch territory.

The following comments are the essence of a report forwarded to the Board by President Sproul of the Federal Reserve Bank of New York as an attachment to his letter dated October 27, 1953. The report is the result of that Bank's study of its District and branch territory boundaries. The conclusions drawn are twofold:

1. There appears to be insufficient evidence to support any changes in the boundaries of the Second Federal Reserve District at this time.
2. A sound basis exists for recommending that the boundary of the Buffalo branch territory be moved eastward so that four additional counties of New York State will be served by the branch. These counties are Wayne, Ontario, Yates, and Steuben which are now part of the New York head office territory.

The report develops the reasons for and against changes in boundary lines by considering separately major segments of the present lines. Each of the selected segments is analyzed with respect to economic factors, transportation facilities, and intangible considerations such as civic sentiment and banking tradition. Only in the case of the boundary between the New York head office and Buffalo branch territories does a preponderance of the evidence indicate that a change is desirable.

Determinations by the Census Bureau and the New York State Commerce Department show that the Buffalo-Rochester economic area extends over a number of additional counties beyond the present branch territory. Similarly there are ten counties now in the head office area which are one postal zone closer to Buffalo than to New York. Furthermore, there is a special consideration with respect to the 1934 Banking Law of the State of New York; this law divides the state into nine districts and stipulates that a bank may open branches only in its own district. By adding the four above-named counties, the branch territory will coincide with the Eighth and Ninth New York Banking Districts which "is advantageous . . . as a matter of administrative convenience and simplicity". Any further additions which could be justified on economic or transportation cost grounds would not coincide with the state banking districts and are not recommended at this time. Finally, the report points out that in certain large volume operations the head office has passed the point where increased volume lowers unit costs whereas expanded volume would tend to lower unit costs at the branch; the proposed shift of four counties would, of course, increase volume at Buffalo while decreasing it at the New York head office.

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FILES

FILES

-2-

November 4, 1953

Since there has been no discussion of this matter with member banks or others, no information is available regarding the reaction of those banks affected. Unless the Board interposes some objection, the New York Bank intends to gather the bankers' opinions about this proposal as a preliminary step to reaching a final decision. If it decides in favor of making a change in the territory served by the Buffalo Branch, it will be necessary to obtain a prior and formal approval by the Board.

Attachment to original

WMG/nss

*WMB
My*

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NEW YORK STATE BANKING LAW

Section 3. Division of state into banking districts.—

The state is hereby divided into nine banking districts, which shall be arranged as follows:

The first banking district shall consist of the counties of Kings, Queens, Nassau and Suffolk;

The second banking district shall consist of the counties of Richmond, New York and Bronx;

The third banking district shall consist of the counties of Westchester, Rockland, Putnam, Dutchess, Orange, Ulster and Sullivan;

The fourth banking district shall consist of the counties of Columbia, Rensselaer, Washington, Greene, Albany, Schenectady, Saratoga, Warren, Essex, Schoharie, Montgomery, Fulton, Hamilton, Otsego and Clinton;

The fifth banking district shall consist of the counties of Jefferson, Lewis, Saint Lawrence and Franklin;

The sixth banking district shall consist of the counties of Herkimer, Madison, Oneida, Onondaga, Oswego, Cayuga and Seneca;

The seventh banking district shall consist of the counties of Chemung, Schuyler, Tioga, Tompkins, Broome, Delaware, Cortland and Chenango;

The eighth banking district shall consist of the counties of Monroe, Wayne, Livingston, Ontario, Yates and Steuben;

The ninth banking district shall consist of the counties of Chautauque, Cattaraugus, Allegany, Erie, Niagara, Wyoming, Genesee and Orleans.

FEDERAL RESERVE BANK
OF NEW YORK

~~Mr. Brennan~~ ⑦
~~Mr. Board~~
Copy this let &
attachts furnished
each Bd member
NEW YORK 45, N. Y.
October 27, 1953. + ET
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Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

S i r s :

At the joint meeting of the Presidents of the Federal Reserve Banks and the members of the Board of Governors of the Federal Reserve System on March 5, 1953, it was suggested that a study be made of the Federal Reserve Bank and branch territories to determine whether changes in the present boundaries might be desirable, in order to enable the Federal Reserve Banks and their branches to serve their member banks more effectively. *see memo 4/10/53 filed 324. 3/7/53*

We have made such a study of the Second Federal Reserve District and the Buffalo Branch territory. We have concluded that there is no need to change the District boundaries, but that it would be appropriate to enlarge the Buffalo Branch territory to include the counties of Wayne, Ontario, Yates and Steuben in New York State, which are now part of the head office territory. 1

Enclosed is a copy of a report by a committee of officers of this Bank on this matter. Our head office directors have indicated their concurrence in the conclusions of the officers with respect to the boundaries of the district and of the Buffalo Branch territory, and the directors of our Buffalo Branch have indicated their concurrence in the conclusions with respect to the boundaries of the Buffalo Branch territory. We have not discussed the matter with member banks.

Unless the Board of Governors has reason to differ with our conclusions, we now propose to seek the views of the member banks which would be affected by the proposed change in the Buffalo Branch territory. We would inform the Board of the results of our discussions with the affected member banks; and, if the proposed change still seemed desirable, formal approval would then be sought and formal steps taken to make the change effective.

Yours faithfully,
Allan Spraul
Allan Spraul,
President.

Encl.

FOR FILES
D. K. Vigeant

REC'D IN FILES SECTION
NOV 12 1953

R E P O R T

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STUDY OF BOUNDARIES OF THE SECOND FEDERAL RESERVE
DISTRICT AND OF TERRITORY ASSIGNED TO BUFFALO BRANCH

I. INTRODUCTION

At the joint meeting of the Presidents of the Federal Reserve Banks and the members of the Board of Governors of the Federal Reserve System on March 5, 1953, it was suggested that a study be made of Federal Reserve Bank and branch territories to determine whether changes in transportation facilities and other conditions since the existing boundaries were established would call for changes in such boundaries to enable the Federal Reserve Banks and their branches to serve their member banks more effectively. The Presidents were requested to review the situation in their respective districts, without entering into discussions with member banks or others. The undersigned, as a committee, were requested to study the territorial boundaries of the Second Federal Reserve District and of the Buffalo Branch territory, and to recommend the extent, if any, to which it might seem advisable to make any changes in such boundaries.

The committee has completed its assignment and, for the reasons developed below, has concluded (1) that there appears to be no occasion for making any change in the boundaries of the Second Federal Reserve District, but (2) that there appears to be a basis for moving the boundary of the Buffalo Branch territory eastward so that the branch territory will include the counties of Wayne, Ontario, Yates and Steuben, currently part of the head office territory.

II. BACKGROUND

A. Second District Boundaries

When the original limits of the several Federal Reserve Districts and the locations of the Federal Reserve Banks were proposed by the Reserve Bank Organization Committee, the factors considered by the Committee were said to be as follows:

First. The ability of the member banks within the district to provide the minimum capital of \$4,000,000 required for the Federal Reserve bank, on the basis of six per cent of the capital stock and surplus of member banks within the district.

Second. The mercantile, industrial and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal Reserve bank.

Third. The probable ability of the Federal Reserve bank in each district, after organization and after the provisions of the Federal Reserve Act shall have gone into effect, to meet the legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.

Fourth. The fair and equitable division of the available capital for the Federal Reserve banks among the districts created.

Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy communication between the Federal Reserve bank and all portions of the district.

Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past and its prospects for the future.

In the case of the Second District, a primary concern of the Committee was to avoid having it overshadow the other districts since New York already occupied a dominant position in the financial structure of the nation. Accordingly, the Second District as originally established was confined to the State of New York, the second smallest district in area and the second largest in population.

Thereafter two applications to change the limits of the Second District were submitted to the Federal Reserve Board. Following a protest by the bankers in northern New Jersey against their inclusion in the Third District, a poll by the New Jersey Bankers Association revealed that practically all bankers north of Mercer and Ocean Counties would prefer to be in the Second District, and information developed at the time indicated that the volume of their business with New York was ten times as great as the volume of business with Pennsylvania. The Federal Reserve Bank of New York took no position in the controversy and the Federal Reserve Bank of Philadelphia apparently did not offer any strenuous opposition. As of July 1, 1915, the Federal Reserve Board assigned the twelve northerly counties of New Jersey to the Second District.

A somewhat similar protest arose in Connecticut, and a petition was filed with the Board asking that the portion of the State west of the Connecticut River be transferred to the Second District, on the ground that New York was the geographical and logical financial center for the transaction of business of banks in that area. The Federal Reserve Bank of Boston opposed the petition. The Federal Reserve Board approved the transfer of Fairfield County to the Second District, as of April 1, 1916, and deferred consideration of the petition in so far as it applied to the remainder of the area.

No further changes have been made in the boundaries of the Second District and, with one exception, there appears to have been no formal suggestion of any change. In 1949, Senator Brien McMahon of Connecticut proposed to the Board of Governors, in effect, that the entire State of Connecticut be transferred to the Second Federal Reserve District and established as a branch territory within that district. The Board replied that such a result would require

a petition by the member banks in the area affected stating the reasons why such a change in district lines would be desirable, and a determination by the Board that the change would be in the public interest. There appears to have been no further development.

B. Buffalo Branch Territory Boundaries

In the original organization of the Second Federal Reserve District, no provision was made for any branch. Early in 1918, following the designation of Buffalo as a reserve city, the banks of the city requested the establishment of a branch. A study was made by a committee of directors of the Federal Reserve Bank, and three possible branch territories were considered. One consisted of the ten counties currently constituting the branch territory; another consisted of the present territory, less Livingston and Monroe Counties (which would have excluded the City of Rochester); and the third consisted of the present territory, plus Ontario, Wayne and Steuben Counties. The present territory was selected, and the branch opened for business on May 15, 1919.

In 1940, in connection with the early stages of the check routing symbol program, the Board of Governors requested each Federal Reserve Bank to consider whether any changes should be made in branch territorial lines before the adoption of routing symbols. Messrs. Rounds and Gidney recommended to Mr. Harrison that no change be made in the territory of the Buffalo Branch, pointing out that the boundary line had remained unchanged since the branch was established and that banks on both sides of the line were apparently satisfied with its location. There appears to have been no other formal consideration of a change in the Buffalo Branch territory.

III. FACTORS AFFECTING LOCATION OF DISTRICT AND TERRITORY LINES

It appears that there are probably three principal factors affecting the location of Federal Reserve district lines or of the boundaries of branch territories within districts. The first of these is referred to in this report as the economic factor.^{1/} Boundaries should be placed with regard to normal patterns of economic activity, maintaining the unity of areas in which well established relationships exist. To some extent, the distribution and homogeneity of population enter into this factor.

The second factor to be considered is the existence and pattern of established transportation facilities, and to a lesser extent communication facilities as well. Transportation facilities must be considered from the standpoint of the speed, frequency of service and expense of transportation. The expense of transportation, in so far as the subject of this report is concerned, is related in most instances to the postal zone into which a certain point falls in relation to the location of a given Federal Reserve Bank or branch.

^{1/} The first paragraph of section 2 of the Federal Reserve Act provides in part, " - - - the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States."

The most expensive shipments to or from Federal Reserve offices are those involving currency, coin or securities, and the amount of expense is directly related to the postal zone of destination. In addition to the charges related to the weight of a shipment of valuables and the zone to which it is sent, there is a surcharge related to the value of the shipment and the zone. Surcharges rates applicable to shipments of registered mail and fourth-class mail treated as registered mail (the classes of mail normally employed by Federal Reserve offices and member banks for the shipment of valuables), are as follows:

- For delivery in the First Zone - 12¢ per \$1,000.
- For delivery in the Second Zone - 14¢ per \$1,000.
- For delivery in the Third Zone - 16¢ per \$1,000.

Accordingly, by reducing the distance of a shipment one postal zone, there is a saving in transportation costs of at least \$20 for each million dollars of value shipped.

In considering the expense of transportation, it should be borne in mind that changes in district or branch territory lines need not necessarily be made in all cases in order to realize economies. It would be entirely feasible to arrange for certain shipments to be made to or from the nearest Federal Reserve office where transportation expenses would be lower, even though such shipments would cross district or branch territory lines. This practice is followed in certain instances at present as, for example, in the case of shipments of coin between our Buffalo Branch and certain banks in the head office territory.

There has not been any substantial change in transportation facilities in the Second Federal Reserve District over the past 40 years. Because of the relatively small size of the district, the development of air transportation seems to have no bearing upon the location of district or branch territory boundaries. Improvements in roads and in the automobile have made possible the transportation of coin and currency by armored trucking concerns and of checks by contract motor carriers, but these developments are of sufficiently recent origin that their effect upon the location of Federal Reserve district or branch territory boundaries has not been significant thus far.

The third factor is somewhat more intangible. It involves consideration of civic sentiment and banking tradition, including established correspondent relationships among banks. In this connection, it should be recognized that regional pride, in some of its manifestations, may be a potent force. In some of the contiguous sections of the First Federal Reserve District, for example, the New England or "Yankee" feeling of affiliation is strong and popular sentiment tends to be oriented in greater degree towards Boston and the rest of New England than towards New York City and the metropolitan area. A comparable attitude may exist in northeastern Pennsylvania where the focus is on Philadelphia, notwithstanding the greater proximity of New York. Another element to be considered is that although correspondent bank relationships often cross Federal Reserve district lines, the fact that the present lines have existed for nearly 40 years has undoubtedly had some effect in channeling the principal relationships of the banks of a district to correspondents in the Federal Reserve Bank or branch city.

IV. POSSIBLE CHANGES IN SECOND DISTRICT LINES

The committee has studied the various segments of the boundary lines of the Second Federal Reserve District, and has considered each segment in the light of the economic factors, transportation facilities, and other considerations which would have a bearing on the annexation of portions of contiguous districts or the cession of portions of the Second District. In order not to lengthen this portion of the report unnecessarily, no mention is made of segments of the boundary lines where the committee has concluded that there is clearly no basis for considering any change; comment is confined to those instances in which the factors considered may be regarded as conflicting in some degree. A map of the district, including surrounding counties mentioned in this report, is appended.

A. Boundary With First District

Litchfield County, Connecticut, is in the First Federal Reserve District, and is contiguous with portions of Fairfield County, Connecticut, and Columbia and Dutchess Counties, New York, all in the Second District. Litchfield County has been regarded by the Bureau of the Census as in the same economic area for agricultural purposes as Fairfield County, and there might be some argument on that score for including Litchfield County in the Second District along with Fairfield County. This would seem to be a rather weak link, however, since the economic reasons for including Fairfield County in the Second District apparently are not predominantly agricultural. Litchfield County is in the same postal zone in relation to Boston as in relation to New York, and it is possible to make deliveries in the county on the morning following dispatch from either point. As far as civic sentiment and traditional banking relationships are concerned, the county probably leans toward affiliations with the New England area rather than with New York. For these reasons, the committee suggests no change in the status of Litchfield County.

Fairfield County has been regarded in most economic surveys as a part of the New York City metropolitan area. There are strong economic ties and heavy commuter traffic between the two areas. Transportation facilities between the county and New York City are excellent. All banks in Fairfield County are in the first postal zone in relation to New York and in the second zone in relation to Boston. Relationships between Fairfield County banks and New York City banks are in most instances firmly established and of long standing, and because a substantial segment of the county's population is not indigenous, there is perhaps less of a pro-New England attitude, and more of a feeling of affiliation with New York, than in any other part of New England. In these circumstances, there appears to be no reason for considering the transfer of Fairfield County to the First District.

New Haven County lies east of Fairfield County and is in the First District. Although New Haven County is considerably closer to New York City in both distance and transportation time than it is to Boston, no economic survey has placed it in the New York City metropolitan area; it is regarded, rather, as the center of a distinct economic area different from Fairfield County. Only three banks in New Haven County are in the first postal zone in relation to New York City; all other banks are in the second zone in

relation both to New York City and to Boston. Accordingly, there is no appreciable difference in the cost of shipments, and deliveries may be made overnight from either New York or Boston. Because there is not the same commuter traffic to New York that there is from Fairfield County, the feeling of affiliation with the New England area probably dominates. There appears to be no reason, therefore, for suggesting the annexation of New Haven County to the Second District.

B. Boundary With Third District

Three New Jersey counties (Sussex, Warren and Hunterdon) in the Second Federal Reserve District are contiguous with the Third District along the Pennsylvania State line. Although Warren County has been considered by the Census Bureau as forming a "standard metropolitan area" together with Northampton and Lehigh Counties of Pennsylvania (the Allentown, Bethlehem, Easton area), it appears that Warren County, as well as Hunterdon and Sussex Counties, fall much more within the sphere of influence financially and economically of New York City than of Philadelphia. Transportation routes to New York City are much better developed than those to Philadelphia; in fact, registered mail traveling between those counties and Philadelphia passes through the New York General Post Office. In addition, banks in those counties now are, or soon will be, served by contract motor carrier routes running into New York City. These counties appear to be properly assigned to the Second Federal Reserve District and no change is suggested.

The Third District counties in the northeastern section of Pennsylvania which are contiguous with the Second District probably have a closer connection economically with Philadelphia than they do with New York. On the other hand, in the case of many points in those counties, transportation facilities to New York are superior to facilities to Philadelphia; and, as in the case of the northwesterly counties of New Jersey, registered mail between those points and Philadelphia passes through New York City.

A somewhat similar situation exists in the case of certain Pennsylvania counties in the northwesterly section of the Third District (McKean, Potter, Tioga and part of Bradford) in their relation to Buffalo. Member banks in those counties lie within the second postal zone in relation to Buffalo and in the third postal zone in relation to Philadelphia, and in many instances deliveries from Buffalo would be received earlier than deliveries from Philadelphia.

While it is true that some saving of time and expense of registered mail shipments would be realized by transferring to the Second District the marginal Third District counties mentioned in the two preceding paragraphs; there does not seem to be sufficiently clear evidence in the case of all factors involved to warrant a recommendation that such counties be annexed to the Second District.

C. Boundary With Fourth District

The boundary between the Second and Fourth Districts is relatively short - about sixty miles. Although the economy of the Buffalo industrial area resembles the economy of Cleveland or Pittsburgh much more closely than it does the economy of the New York City area, that fact alone would not seem to be the basis for suggesting the annexation of any substantial portion of western New York to the Fourth District or the annexation of parts of northwestern Pennsylvania

and northeastern Ohio to the Second District. The Buffalo area appears to be well integrated and very definitely oriented toward the City of Buffalo. From a transportation standpoint, the present boundary between the Second and Fourth Districts appears to be very well situated in relation to the availability of satisfactory facilities as well as the cost and speed of delivery.

V. POSSIBLE CHANGES IN BUFFALO BRANCH TERRITORY BOUNDARY

The ten westerly counties of New York State which compose the Buffalo Branch territory may be regarded as representing the influence of the City of Buffalo as opposed to the influence of New York City. This division may be regarded, however, as overlooking the combined economic influence of the major centers within the present branch territory, notably the City of Rochester, which is a focal point for much business with counties currently in the head office territory. The determinations of economic areas by the Bureau of the Census and by the Department of Commerce of New York State indicate that the Rochester economic area extends over Wayne, Ontario, Yates and Seneca Counties. The Census Bureau also considers Steuben, Schuyler, Tompkins, Chemung and Tioga Counties as influenced by the economy of the present Buffalo Branch territory, although in a lesser degree than the four counties previously mentioned.

The following counties in the present head office territory are in the second postal zone in relation to Buffalo and the third postal zone in relation to New York; Wayne, Ontario, Yates, Seneca, Steuben, Schuyler, Chemung, Cayuga, Onondaga and Oswego. All but the last three of these are included in the group of counties mentioned in the preceding paragraph as being influenced, in greater or lesser degree, by the economy of the present Buffalo Branch territory. Points in any of the ten counties can be reached from Buffalo with equal or greater facility than from New York. Regardless of whether any changes are made in the present branch territory, consideration might be given to the possibility of arranging for shipments of currency and coin between the branch and banks in head office territory where it is possible to realize economies in shipping costs and there is no adverse effect upon the time of deliveries. This practice is followed to a limited extent at present and might be expanded, particularly after the new branch building has been completed.

There is one factor which enters into a determination of appropriate limits for the Buffalo Branch territory which has no application in so far as Second District lines are concerned. An amendment to the Banking Law of the State of New York in 1934 (now embodied in section 3 of the Law) divided the State by counties into nine Banking Districts. The Banking Law provides (section 115) that, subject to certain conditions, a bank may open one or more branches within the same Banking District in which its principal office is situated.

The limits of the present Buffalo Branch territory are not coterminous with the limits of any Banking District. The branch territory includes all of the counties in the Ninth Banking District, and two counties (Monroe and Livingston) of the Eighth Banking District. The remaining counties of the Eighth District (Wayne, Ontario, Yates and Steuben) are in the head office territory. As a result of this lack of conformity between the branch territory boundary and the Banking District limits, the head offices of some banks are in the branch

territory and several of their branches are in the head office territory.^{2/} The reverse situation does not actually exist at present, but it is a possibility under existing conditions. This condition gives rise to various problems in the relations of the head office and branch of the Federal Reserve Bank with the banks in their respective areas, and the committee has concluded that, as a matter of administrative convenience and simplicity, it is advantageous where branch banking has been developed to have the division between head office and branch territories follow the line of division between State Banking Districts.

From the standpoint of Federal Reserve Bank and branch operations, there may be reasons for enlarging the branch territory. In certain operations involving large volume and requiring a large staff (cash and checks, in particular), the head office has apparently passed the point where increased volume results in lower unit costs, whereas at the branch expansion of volume would probably decrease unit costs; this will be particularly true when the branch facilities have been expanded.

Considering areas of economic influence, transportation facilities and costs, and the Banking Districts into which the State is divided by law, it is recommended that the Buffalo Branch territory be expanded to include the Counties of Wayne, Ontario, Yates and Steuben.^{3/} Considerations of economic influence or transportation facilities or both might also suggest the addition of Oswego, Onondaga, Cayuga, Seneca, Schuyler, Tompkins, Chemung or Tioga Counties, or some combination of them, but in order to preserve the identity of branch territory limits with Banking District lines, the inclusion of any of these additional counties would involve the addition of other counties (Herkimer, Oneida and Madison, or Cortland, Chenango, Broome and Delaware) which at present there seems to be no reason to include. Inclusion in the branch territory of the four counties mentioned appears to be a logical step at this time; any further extension of the branch territory does not seem warranted at present but should be reserved for future consideration in the light of any change in conditions.

Since one of the conditions imposed upon this study was that there be no discussions with member banks or others, the committee has no information as to what would be the reaction of the bankers in the four counties mentioned to the transfer from head office to branch territory. A sampling of opinion of the bankers affected should be undertaken as a preliminary to reaching any final decision. The committee visualizes no particular operating problems arising from the expansion of the branch territory as suggested. It will be necessary for banks in the four counties affected to change the denominator of their check

^{2/} Central Trust Company of Rochester (Monroe) has a branch at Williamson (Wayne). Lincoln Rochester Trust Company has branches at Canandaigua (Ontario), Corning (Steuben), Geneva (Ontario), Hammondsport (Steuben) and Newark (Wayne). Security Trust Company of Rochester has branches at Naples (Ontario) and Rushville (Yates). Union Trust Company of Rochester, a nonmember clearing bank, has branches at Palmyra (Wayne) andodus (Wayne).

^{3/} In the four counties mentioned, there are 24 member banks with total deposits of \$83,020,000, and eight nonmember banks (including one savings bank and two nonmember clearing banks) with total deposits of \$41,562,000, as of June 30, 1953.

routing symbol from 213 to 223 but, since the head office will continue to send a daily cash letter to each of the banks in the area, the change may be made gradually as existing stocks of checks are exhausted without causing any complications.

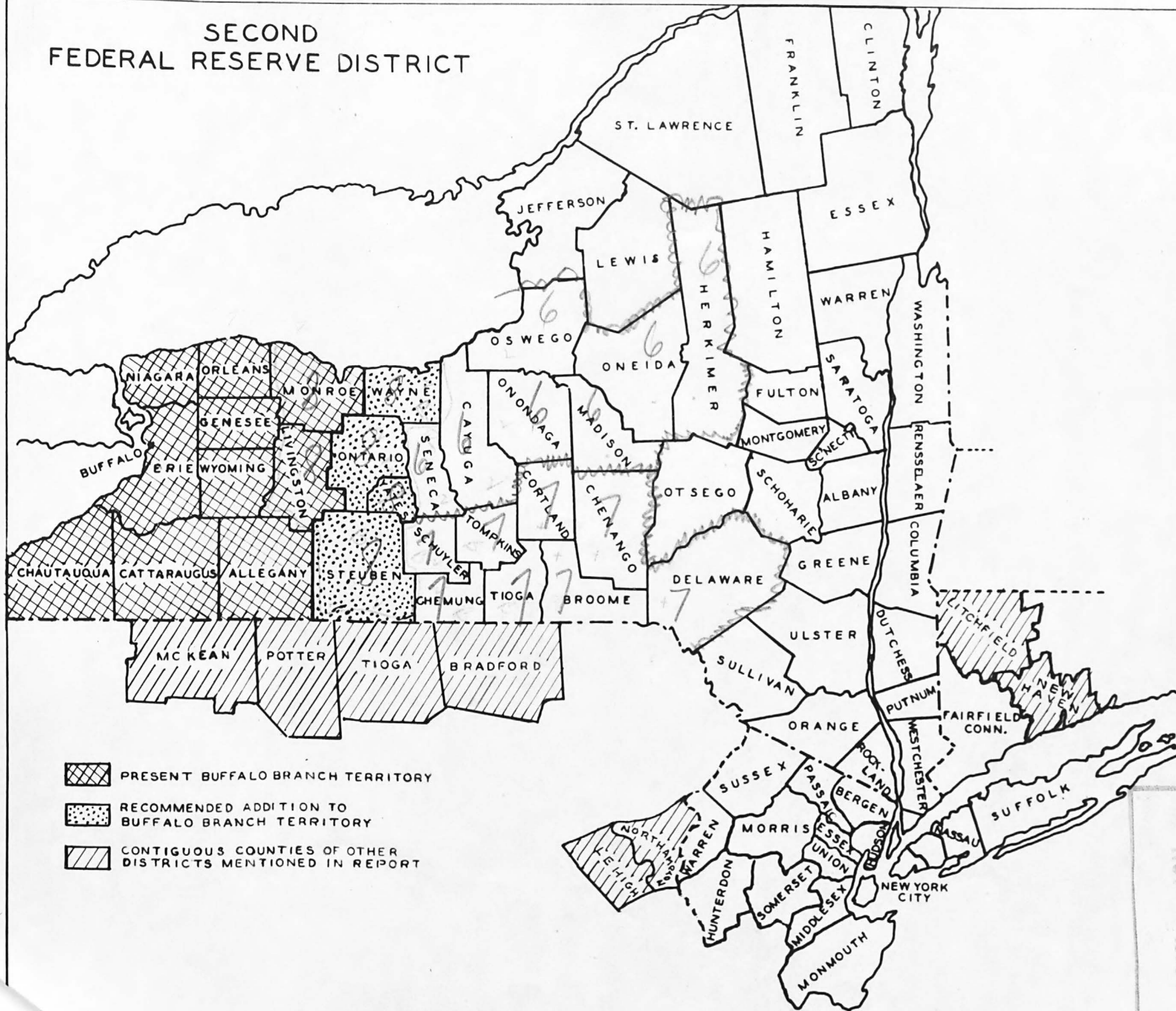
If it should be decided to make a change in the territory served by the Buffalo Branch, it would be necessary to obtain the prior approval of the Board of Governors of the Federal Reserve System. Section 1(b) of the Board's "Regulations Relating to Branches of Federal Reserve Banks", as amended, effective January 1, 1947, provides as follows: "(b) Branch territory.—No change shall be made by any Federal Reserve bank in the territory included within the district served by any of its branches, except with the approval or upon the direction of the Board of Governors."




Respectfully submitted,

M. A. Harris
I. B. Smith
J. H. Wurts, Chairman

September 1, 1953

SECOND FEDERAL RESERVE DISTRICT



-  PRESENT BUFFALO BRANCH TERRITORY
-  RECOMMENDED ADDITION TO BUFFALO BRANCH TERRITORY
-  CONTIGUOUS COUNTIES OF OTHER DISTRICTS MENTIONED IN REPORT

FOR FILES
D. K. Vigeant

REC'D IN FILES SECTION
 NOV 12 1952

147

REC'D IN FILES SECTION
JAN 11 1954
122.7(3)

DEC 23 1953

Mr. Alfred H. Williams, President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Williams:

Thank you for your letter of December 10 stating that your Bank has given consideration to the need for changes in the existing boundary lines of the Third Federal Reserve District.

It is noted your judgment is that changes in transportation facilities in your own and contiguous districts, as well as developments in the economies of these areas, have not been such as to warrant changes in existing geographic boundaries.

Very truly yours,

(SIGNED) S. R. CARPENTER
S. R. Carpenter,
Secretary.

For Approval,	<i>Vardaman</i>
First to Gov.	<i>Vardaman</i>
Gov. Szymczak	<i>✓</i>
Gov. Evans	<i>✓</i>
Gov. Vardaman	<i>absent</i>
Gov. Mills	<i>✓</i>
Gov. Robertson	<i>✓</i>
Chm. Martin	<i>✓</i>

If you approve, please
initial and return to
Mr. Brennan

Approved
MINUTES ON

DEC 23 1953

WMG/nss
12/18/53

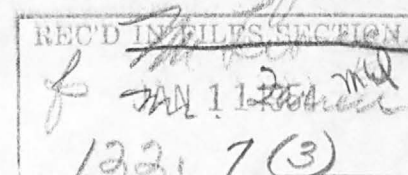
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Dub.
RR
FILE COPY

FOR FILES
ZOE GRATSIAS

FEDERAL RESERVE BANK
OF
PHILADELPHIA

(ZONE I)

OFFICE OF THE
PRESIDENT



December 10, 1953 *shw*

Dear Mr. Carpenter:

In preparation for the December 15 Joint Meeting of the Board of Governors and the Presidents, consideration has been given at this Bank to the need for changes in the existing boundary lines of the Third Federal Reserve District. We have reviewed the discussions that took place here as a result of references to the matter at the Joint Meetings of the Governors and the Presidents on March 5, 1953 and June 11, 1953.

This Bank, as you know, services a very compact territory and operates without Branches. It is our judgment that changes in transportation facilities in our own and contiguous districts, as well as developments in the economies of these areas, have not been such as to warrant changes in existing geographic boundaries. ||

Very truly yours,

Alfred H. Williams

Mr. S. R. Carpenter, Secretary,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

FOR FILES
ZOE GRATSIAS

(5)

402

REC'D IN FILES SECTION
MAR 15 1954
122.7 (5)

MAR - 4 1954

Mr. Hugh Leach, President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Leach:

filed packet 2/18/54
Thank you for your letter of February 18, transmitting a study of district and branch territory lines and the possible need for additional branches in the Fifth Federal Reserve District.

Though no changes are recommended at this time, it is noted the report concludes that upon completion of present highway development plans in West Virginia, further analysis might support the establishment of an office at Charleston. It is also noted that an extension of mail service from Baltimore might at some future time justify the transfer of two Eastern Shore counties from the Head Office to the Baltimore Branch territory.

Approved

MINUTES ON

Very truly yours,

[Signature]
MAR 4 1954

(SIGNED) S. R. CARPENTER

For Approval, *Evans*

First to Gov.

S. R. Carpenter, Gov. Szymczak

Secretary, Gov. Evans

Gov. Vardaman *as*

Gov. Mills

Gov. Robertson

Chm. Martin

If you approve, please
initial and return to
Mr. Brennan

WVG:fb 3/1/54
RR
[Handwritten signatures and initials]

FILE COPY

FOR FILES
ZOE GRATSIAS

REC'D IN FILES SECTION
MAR 16 1954
122.7 (5)

314154

To: Mr. Lowell Myrick

filed Pocket 2/18/54

In the report sent to the Board of Governors on February 18, 1954, in re results of survey of services to banks of the Fifth District, etc., the following correction should be made in the first column of Schedule D (Cash Letters Collected From Par Banks and Out-of-town Branches) as follows:

Totals	
Fifth	
District	\$689,925

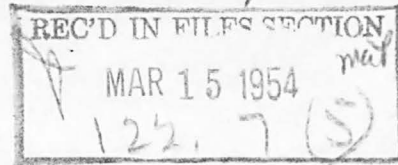
(This figure is given incorrectly as \$639,925.)

Richmond report

Frank Sprecher

Leonard
M. M. M.
FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA



February 18, 1954

Board of Governors
of the Federal Reserve System,
Washington 25, D. C.

Dear Sirs:

In accordance with Chairman Martin's request at the joint meeting of the Board of Governors and the Conference of Presidents on December 15, 1953, I am pleased to forward the results of a recently completed survey of services to the banks of the Fifth District and a reappraisal of the adequacy and appropriateness of branch facilities and district lines.

filed folder 2/18/54

Very truly yours,

Hugh Leach

Hugh Leach,
President.

FOR FILES
ZOE GRATSIAS

REC'D IN FILES SECTION
fills
OCT 22 1954
122.7 (6)
October 22, 1954. *v*

Governor Vardaman

Lowell Myrick

122.7(7) k
Referring to our memorandum of October 4, attached are
maps showing the Rand McNally trading areas of the Sixth and
Eighth Federal Reserve Districts.

Attachments *not available for film.*

copy filed 122.7(8)

LSM:pb1

My FILE COPY

FOR FILES
Patricia B. Ivie

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

FILED IN RECORDS SECTION
Date October 22, 1954.
JAN - 9 1955
122.7(6)

To Governor Vardaman

Subject: _____

From Lowell Myrick

My

122.7(7)

Referring to our memorandum of October 4, attached are
maps showing the Rand McNally trading areas of the Sixth and
Eighth Federal Reserve Districts.

filed 122.7(8)

Attachments

CL Myrick



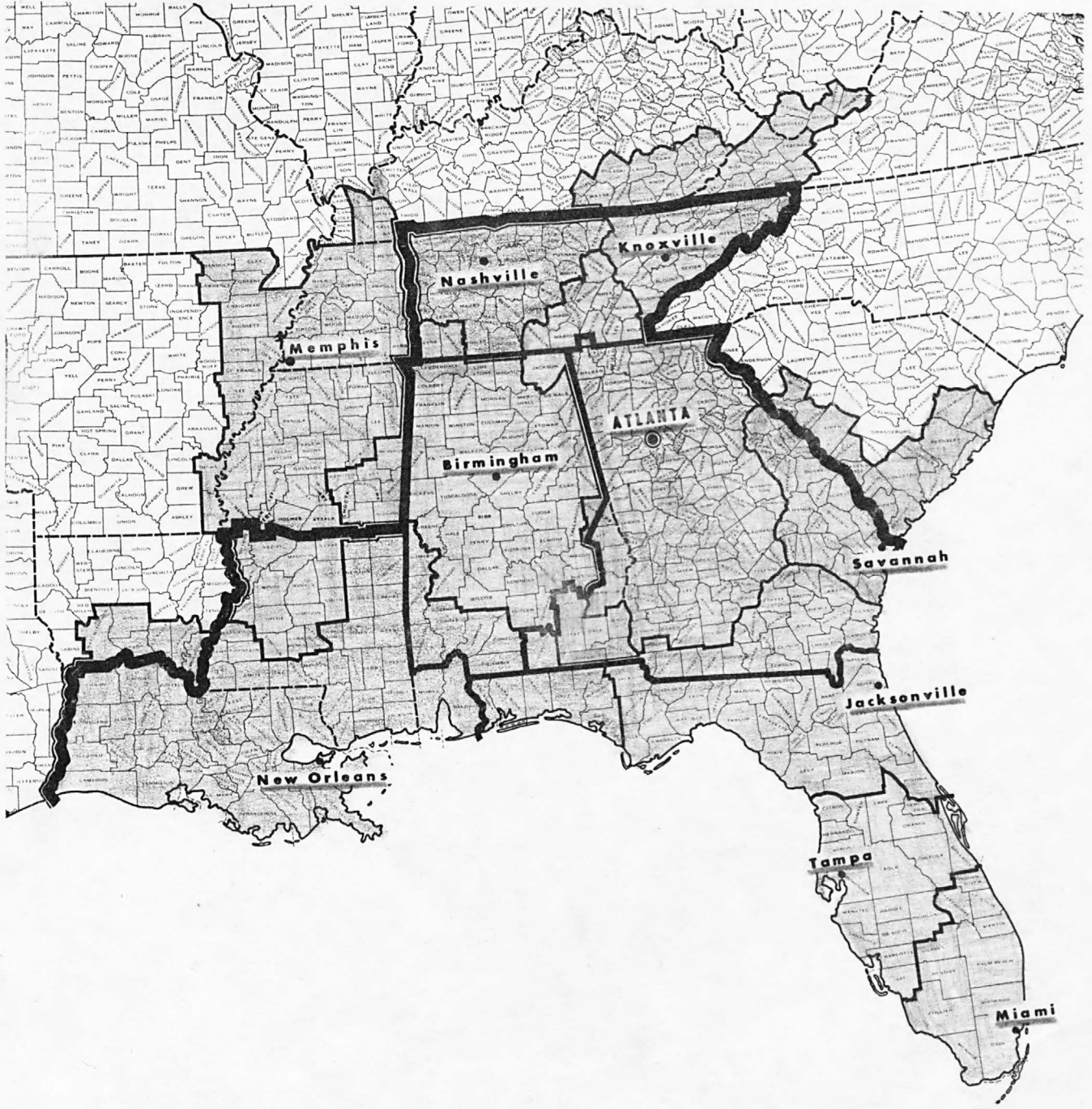
FOR FILES
Dorothy Duke

REC'D RECO SS SECTION
JAN - 9 1956

RAND McNALLY

TRADING AREAS

SIXTH FEDERAL RESERVE DISTRICT



Major trading centers shown in bold type.

403

REC'D IN FILES SECTION
MAR 15 1954
122.7 (6)

MAR - 4 1954

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

filed pocket 2/15/54

Thank you for your letter of February 19, transmitting your study of services as they relate to district and branch territory lines in the Sixth Federal Reserve District and stating that your Bank feels it would be inappropriate to recommend changes in existing boundaries at this time since they seem well placed with reference to transportation, communication, and the normal flow of business affairs.

It is noted that when Birmingham Branch facilities are enlarged, your Bank will likely recommend the transfer of southeastern Alabama from the head office to the Birmingham Branch territory.

Very truly yours,

For Approval,	<i>Evans</i>
First to Gov.	<input checked="" type="checkbox"/>
Gov. Szymczak	<input checked="" type="checkbox"/>
Gov. Evans	<input checked="" type="checkbox"/>
Gov. Vardaman	<input checked="" type="checkbox"/>
Gov. Mills	<input checked="" type="checkbox"/>
Gov. Robertson	<input checked="" type="checkbox"/>
Chm. Martin	<input checked="" type="checkbox"/>

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

WMC:rb
2/26/54
ATL
W
W
W
W

FILE COPY

If you approve, please
initial and return to
Mr. Brennan *Approved*
MINUTES ON
MAR 4 1954

FOR FILES
ZOE GRATSIAS

FEDERAL RESERVE BANK
OF ATLANTA

OFFICE OF
PRESIDENT

February 19, 1954

REC'D IN FILES
MAR 15 1954
122.7 (6)

*Mr. Leonard
Mr. [unclear]*

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Sirs:

*filed Babel
2/15/54*

The Federal Reserve Bank of Atlanta has made a study of its district and zone lines and feels that it would be inappropriate to recommend any changes at this time. Our studies indicate that both the district and zone lines are generally well placed with reference to transportation, communication and the normal flow of business affairs. There are no areas where service is being handicapped by location.

There has been some mention by local bankers of the need to establish a money facility in Miami, Florida, and their proposals may have merit. I believe, however, that the inclusion of vault cash in reserve balances will materially reduce the inconvenience to Miami banks of frequent shipments of currency and coin to and from the Jacksonville Branch. Most of the present burden of supplying currency and coin to Miami is on the Federal Reserve rather than the commercial banks. The service now being rendered Miami banks is excellent and includes vault delivery.

The Southeast area of Alabama was placed in the Atlanta zone because of superior rail transportation from Atlanta. Changes in the methods of handling mail since that time have altered Atlanta's comparative advantage. Most of the transit items going to banks in this area are handled by the Birmingham Branch and it appears, at this stage, to be more feasible to furnish armored car deliveries of currency out of Birmingham than Atlanta. Present overtaxed facilities at the Birmingham Branch, however, make it inadvisable to recommend relocation of the zone line at this time. We will, of course, continue to study this area and will likely make a recommendation when the facilities at Birmingham are enlarged.

Very truly yours,

Malcolm Bryan
Malcolm Bryan
President

enclosure - 1

FOR FILES
ZOE GRATSIAS

(7)

REC'D IN FILE

OCT 6

October 6, 1954

Mr. Myrick

Governor Mills

Additional offices and boundary

changes in the Seventh District

REC'D IN FILES SECTION

OCT 6 1954

122.7(7)

Mr. Calvin W. Aurand, President of the Iowa-Des Moines National Bank, Des Moines, Iowa, an old friend of the writer, called today to discuss reports reaching him regarding the possibility of establishing branches of the Federal Reserve Bank of Chicago. Mr. Aurand quite naturally recommends Des Moines as the site of such a branch.

He indicated that opposition to such a choice is to be expected both from banks in eastern Iowa and from banks in the city of Chicago due to the fact that in such cases it is feared that correspondent bank balances would be diminished. As to such eastern Iowa points as Sioux City and Cedar Rapids, Mr. Aurand acknowledges that rail service from Des Moines is not as good as that into Chicago from these locations. He states, however, that that disadvantage is being overcome by an expanding air mail service, but more particularly by way of the Post Office Department's postal bus service which operates directly from eastern Iowa points to Des Moines and with deliveries ahead of those obtainable by the round-about railway mail service. Under these circumstances, he believes that the flow of items from Des Moines to eastern Iowa can be handled at least as efficiently as is now the case where the flow of items is into Chicago and thence on to Des Moines.

Should a Federal Reserve branch be established at Des Moines, Mr. Aurand anticipates that check collection periods can be shortened substantially if for no other reason than that Iowa country banks, routing items to a Des Moines Federal Reserve Bank branch, will be able to get credit to their accounts on the books of the Federal Reserve branch via transfers from accounts carried at their Des Moines correspondent banks as expeditiously as is now the case when such banks replenish their accounts at the Federal Reserve Bank of Chicago by transfer from accounts carried at correspondent banks. In other words, the same results can be obtained by the Iowa country banks in arranging transfers from their correspondent bank accounts to their reserve accounts at the Federal Reserve Bank of Chicago along with a shorter collection period. He also cites the fact of Des Moines' importance as the State Capital

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filed
301.1(7)

FILE COPY

FOR FILES
M. E. Benton

Mr. Myrick - (2)

October 6, 1954

Mr. Aurand indicated that such points as Clinton, Davenport, and Muscatine, due to their geographical locations, would not have great incentives at this time in favor of a Des Moines Branch of the Federal Reserve Bank of Chicago, but believes that further improvement in air mail service will add to the attractiveness of a Des Moines Federal Reserve Branch location.

He stated quite frankly that a Des Moines Branch of the Federal Reserve Bank of Chicago would be of distinct advantage to his own bank in that while they might lose some Iowa country bank accounts who would deal exclusively with the Federal Reserve branch, they could expect on balance to gain new business. They are at present favored with some 300 correspondent bank accounts.

He expressed the hope that the Board of Governors in whatever further study is given to the problem will have an analysis made in the field by one of its own representatives. He spoke in a highly complimentary way of the Federal Reserve Bank of Chicago, but is of the opinion that a study made by a representative of the Board would carry more weight in sounding out opinion in Iowa on the matter than would be true of a similar study made by the Federal Reserve Bank of Chicago and for the reason that such a representative would come as somewhat of an old story and without the advantage of entering into the field with what would be assumed to be a new point of view.

ALM:b

FILE COPY

OCT 5 1954 *met*122.7 (7)
October 4, 1954 *10*

Governor Vardaman

Lowell Myrick

In accordance with your request at the Board meeting this morning, we are attaching a map showing the Rand McNally Trading Areas - Seventh Federal Reserve District.

The heavy black line shows the boundaries of the Seventh District.

The colors represent the trading areas with the major trading center of each underlined in red.

As an example, the trading area shown in purple, of which Omaha is the major trading center, extends into southwestern Iowa which, of course, is now part of the Seventh District.

We do not now have similar maps showing the trading areas of the Atlanta and St. Louis Districts. However, we are taking steps to have such maps prepared as soon as possible.

Attachment *10/5/54*

MS
LSM:pbj

FILE COPY

FOR FILE
S. L. TRUST

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN RECC
JAN 9 1953
122.7(7)
Date October 4, 1951

Office Correspondence

To Governor Vardaman

Subject: _____

From Lowell Myrick

My

In accordance with your request at the Board meeting this morning, we are attaching a map showing the Rand McNally Trading Areas - Seventh Federal Reserve District.

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C. L. Vardaman

Attachment

*EN 1002
- 10020203*



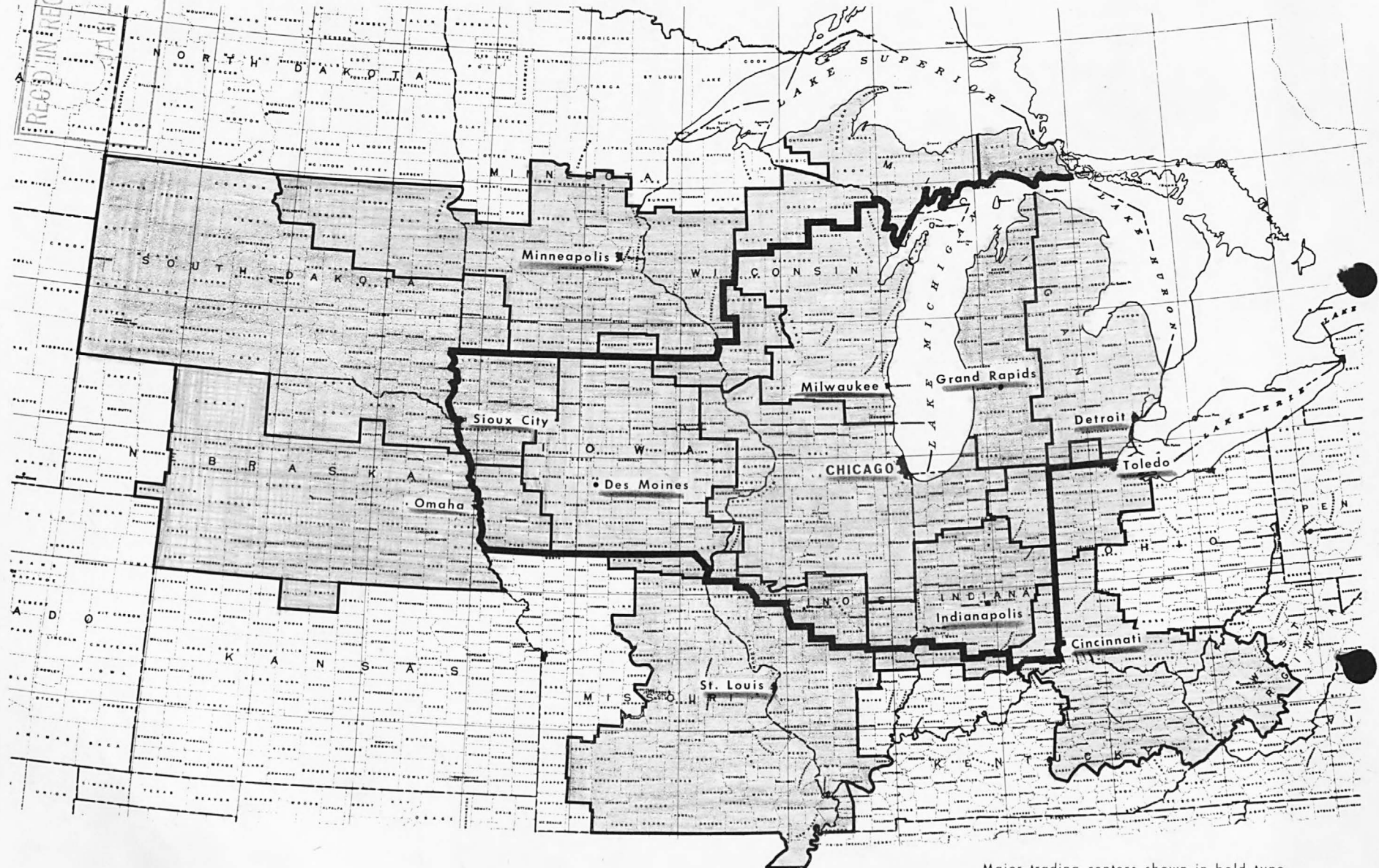
FOR FILES
Dorothy Duke

RAND McNALLY

TRADING AREAS

SEVENTH FEDERAL RESERVE DISTRICT

REC'D IN RECORDS SECTION
MAY 9 1956



Major trading centers shown in bold type.

35

CHRONOLOGICAL RESUME OF SELECTED CORRESPONDENCE AND
MEMORANDA BEARING ON ADDITIONAL OFFICES AND BOUNDARY
CHANGES IN SEVENTH DISTRICT

REC'D IN FILES SECTION

OCT 4 1954

122.7(7)

March 1953

Chairman Martin suggested at the Presidents' Conference that each Bank quietly review whether changes in its district or branch lines were desirable.

June 1953

Chairman Martin inquired as to the progress of the requested surveys of district and branch boundaries. He reiterated that the purpose of his original suggestion was not to encourage or discourage establishment of additional branches or changes in boundaries, but to assure that the System is alert to and best adapted to the changing needs of the country. (Statement at Presidents' Conference)

November 10, 1953

The Chicago Bank submitted a recommendation, along with a supporting report, that the entire lower peninsula of Michigan be transferred to the Detroit Branch territory. This move had been under consideration for several years but had been delayed awaiting completion of the new building at Detroit. On December 7, 1953, the Board notified the Chicago Bank of its approval effective January 1, 1954.

November 17, 1953

In connection with a planned meeting of the Board with a committee of officers and directors of the Chicago Bank to discuss the Chicago building program, Mr. Leonard mentioned to President Young that one aspect of the problem in which the Board was interested was the broad question as to the extent to which work might be decentralized through establishment of facilities at additional places. Such a policy, it was indicated to Mr. Young, would provide better distribution of risk and facilitate continuation of services in case of attack; provide better service to the banks in the district; lessen the necessity for handling increasing volume of work at the head office where sheer volume presents problems and results in high cost operations; and eliminate the necessity for expansion of the head office.

November 30, 1953

Mr. Leonard's memorandum of this date outlined certain favorable and unfavorable factors regarding the suggestion that limited facilities be established at several Seventh District locations. (Copy attached)

Orig filed 30/11 (7)

10/1/54

January 4, 1954

In a letter authorizing the Chicago Bank to explore the possibilities of acquiring additional property, the Board pointed out the close relationship between head office space requirements and the question of decentralization through establishment of additional facilities or branches in the District. Also stated was the view that while the question of decentralization is involved with the question of additional space, it is of even greater significance and goes directly to the heart of the problem of how the Federal Reserve Bank of Chicago may best serve its entire District.

The Chicago Bank was requested to submit at an early date a detailed study disclosing the volume of work which might be diverted from the head office through such a program of decentralization and the effect of such redistribution of work upon employment and space requirements of the head office, together with a statement of the views of the Bank with respect to the establishment of additional offices.

March 11, 1954

President Young's letter transmitted the survey of the decentralization question which had been requested by the Board. The conclusions of the study were:

- (1) That any additional offices would best be located in Indianapolis, Des Moines, and Milwaukee.
- (2) That for the present such locations would not necessitate changes in existing territorial lines and that the territory served by such additional offices should comprise the present Seventh District portion of the States of Indiana, Iowa, and Wisconsin, respectively.
- (3) That while check collection stations might be considered, it is questionable whether local pride would acquiesce in anything other than full branch facilities.
- (4) That operation of check collection stations would probably not add to costs now incurred, but that operation of branches might cost \$2,000,000 a year above present expenses while branch buildings would cost about \$3,000,000 apiece.
- (5) That three new check collection stations would release 6,800 square feet at the head office, while regular branches would release 23,000 square feet, but that there is a current need for at least 93,000 additional square feet.

In his letter Mr. Young further concluded that since half of the checks payable in Indiana, Iowa and Wisconsin are now received from Chicago member banks, it would be necessary to divert these items to the collecting offices in order to justify their establishment. He stated that since such diversion would disrupt many correspondent bank relationships, the reasons therefor would need to be very compelling in order to secure the necessary co-operation.

On the other hand, Mr. Young mentioned that facts divulged by their survey made it apparent the matter should have further consideration though it would take time to resolve.

Therefore, he urged that, without awaiting final developments regarding decentralization, the Chicago Bank be authorized to take action for immediate relief of present congestion--specifically, authorization was requested to negotiate for purchase of certain additional properties.

March 12, 1954

President Young's letter stated that the decentralization survey forwarded the previous day was intended as a response to Chairman Martin's suggestion at the Presidents' Conference that each Bank review its boundaries including the possible need for additional offices. He further stated that the survey leads to the conclusions that there are no compelling reasons to change present district territories and that there are no persuasive reasons to establish additional branches.

April 2, 1954

In a letter to Mr. Young (copy to Mr. Coleman), the Board expressed its appreciation of the effort devoted to the decentralization survey, but stated that the Board was not in full agreement with Mr. Young's conclusions; and that the Board is inclined to favor establishment of branches at Des Moines and Indianapolis and possibly Milwaukee. The Board requested the Chicago Directors to give further consideration to the matter at an early date.

May 10, 1954

This memorandum reviews Mr. Leonard's conversation with President Young while at Chicago the previous week. Mr. Leonard pointed out three pertinent considerations discussed at Washington:

- (1) The general policy of further decentralization through additional branches as a matter of System policy.

- (2) The desirability of additional branches as a defense measure.
- (3) The effect of additional branches on space requirements at the Head Office.

Mr. Young indicated he felt that decentralization for defense purposes was about the only point which the Chicago Directors might consider as having merit.

September 10, 1954

In a telegram to President Young (copy to Chairman Coleman), the Board approved the purchase of certain properties by the Chicago Bank.

The Board stated that this action did not mean that the question of additional branches for the District had been dropped or deferred.

The Board reminded Mr. Young that six months had elapsed since it had requested the Chicago directors to give further consideration to the question of establishing additional branches. The Board expressed the hope that any additional studies necessary for such consideration would be pressed to rapid conclusion and that mutually satisfactory determination as to basic questions involved in establishment of additional branches may be reached by Bank and Board without delay.

September 16, 1954

Memorandum from Mr. Leonard stating that he had received telephone calls from the offices of Senator Hickenlooper and Representative LeCompte indicating that they had heard rumors of the possibility of the establishment of a branch at Des Moines. They reported that the reaction outside of Des Moines would be unfavorable to the establishment of a branch there. Later, a telegram was received from Representative LeCompte protesting any move to establish a branch at Des Moines.

September 16, 1954

Letter from Representative Hoeven stating that the banks in the Sioux City area are very much opposed to the establishment of a branch at Des Moines, due to unsatisfactory railroad connections with that point.

September 17, 1954

Letter from Senator Hickenlooper enclosing a letter from a banker in Sioux City stating that he is very much opposed to the establishment of a branch in Des Moines.

September 24, 1954

Letter from President Young with reference to the Board's telegram of September 10, 1954. Letter states that a committee of directors has been appointed to study the facts in connection with the decentralization survey. The committee consists of Messrs. Coleman (Chairman), Prall (Deputy Chairman), Cummings, Johnson, and Oterwortmann.

September 29, 1954

Letter from President Young stating that the special committee of directors had met and had asked him to advise the Board of Governors --

That it was unable to make an intelligent recommendation without having an expression from the Board of Governors of their reasons for feeling that establishment of additional branches was essential or advisable.

That the committee would be very much interested in reviewing as soon as possible any survey or data which the Board of Governors may have on the subject. (It is mentioned that the next meeting of the board of directors will be held October 7.)

That the committee strongly feels that a responsible representative of the Board of Governors should come to Chicago to confer with the directors and officers of the Bank and possibly with other interested banks in order to acquaint himself with the situation as it exists and with a view to reconciling the divergent views on the question.

Division of Bank Operations
October 1, 1954

FEDERAL RESERVE BANK OF CHICAGO FILES SECTION

CHICAGO 90

March 11, 1954

MAR 24 1954
~~301.1 (7)~~

122.7 (7)

1c

AIR MAIL
SPECIAL DELIVERY

Mr. Lowell Myrick, Assistant Director
Division of Bank Operations
Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Mique:

Enclosed is a set of the forms left with us for building occupancy information, filled in according to your instructions. Also enclosed are county maps of the Seventh District states with information as to the number and class of the banking offices in each county.

I am sorry for the delay in getting this information to you. It was largely caused by our coordinating your space material with our branch area study which was performed somewhat in detail on the building occupancy phase.

I hope this material will be helpful to your study. If there is any other information we can furnish, please let us know.

Sincerely yours,

Larry

Laurence H. Jones
Cashier

Enclosures

Filed Pocket 3-1-54

Copy filed

122.7 (7)

Files cont.

REC'D IN FILES SECTION
FEB 19 1954
~~303. (7)~~

122.7 (7)
20

FEB - 4 1954

Mr. Neil B. Dawes, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Dawes:

This refers to your letter of January 28, 1954 with respect to amendments to the bylaws of the Federal Reserve Bank of Chicago and its Detroit branch. It is noted that these amendments merely reflect the recent change in the territory apportioned to the Detroit branch and increase the board of directors of such branch from 5 to 7 members.

The Board has heretofore given its approval for the change in territory of the branch and hereby gives its approval to the increase in the number of directors.

Very truly yours,

- For Approval,
- First to Gov. *[Signature]*
- Gov. Szymczak *[Signature]*
- Gov. Evans *[Signature]*
- Gov. Vardaman *[Signature]*
- Gov. Mills *[Signature]*
- Gov. Robertson *[Signature]*
- Chm. Martin *[Signature]*

(Signed) Merritt Sherman
Merritt Sherman,
Assistant Secretary.

If you approve, please
initial and return to
Mr. Brennan

[Handwritten initials]
WLH:emb
2/1/54

[Handwritten signatures and initials]
Copies filed
122.7 (7)
321.17 (7)

Approved
MINUTES ON *88*
FEB 4 1954

FILE COPY

FOR FILES
706-1111111

FEDERAL RESERVE BANK OF CHICAGO
CHICAGO 90

January 28, 1954

Handwritten: *ll*
Stamp: APPROVALS SECTION
FEB 19 1954
Handwritten: *ab*
Handwritten: *303.7*
Handwritten: *Counsel*

Handwritten: *122.7(4)*
Handwritten: *3c*

Mr. S. R. Carpenter, Secretary
Board of Governors of the Federal Reserve System
Washington 25, D. C.

Dear Mr. Carpenter:

In connection with the expansion of the territory of our Detroit Branch and the proposal to increase the membership of the Board of Directors of the Branch from five to seven, the following amendment to the bylaws of the Federal Reserve Bank of Chicago (Head Office) was adopted by our Board of Directors. Section I of Article VI, entitled "Detroit Branch," has been amended to read as follows:

"Section I. Subject to such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe, the Detroit Branch shall be operated under the supervision of a Board of Directors to consist of seven Directors, of whom a majority of one shall be appointed by the bank and the remaining Directors by the Board of Governors of the Federal Reserve System, such Directors to hold office during the pleasure of the Board of Governors of the Federal Reserve System, as provided in Section 3 of the Federal Reserve Act, as amended."

In addition, the Directors of the Detroit Branch of the Federal Reserve Bank of Chicago have adopted the following amendments to the bylaws of the Branch, all of which have been approved by the Board of Directors of this bank. Section 2 of Article I has been amended to read as follows:

"Section 2. Branch Territory. The territory apportioned to the said Detroit Branch shall be all of the State of Michigan in the Seventh Federal Reserve District."

Section I of Article II has been amended to read as follows:

"Section I. Number and Quorum. The Directors of the Detroit Branch (hereinafter referred to as the 'Detroit Board') shall consist of seven members, four of whom shall be appointed by the Chicago Board and three of whom shall be appointed by the Board of Governors, provided that all of such Directors shall be appointed in accordance with the regulations prescribed by the Board of Governors. A majority of the entire Board shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance."

FOR FILES
ZOE GRATSIAS

Section 3 of Article II has been amended to read as follows:

30

"Term of Office. The term of office of the Directors shall be three years, appointments being made each year, one by the Board of Governors and at least one by the Chicago Board. No Director shall be reappointed as a Director if such reappointment is to become effective within a period of three years immediately following six or more years of continuous service."

We understand informally that the Board of Governors has no objection to the proposed changes but will appreciate their official approval of the actions taken at your convenience.

Upon receipt of such approval, we will have the amended bylaws reprinted and send you a copy.

Very truly yours,



Neil B. Dawes,
Vice President and Secretary.

Copies filed
122.7 (7)
321.17 (7)
303.11 (7)

34P

REC'D IN FILES SECTION
DEC 15 1953
122.7 (7)

DEC - 7 1953

Mr. C. S. Young, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Young:

In accordance with the recommendation of your Bank as contained in your letters of May 26 and November 10, 1953, the Board of Governors approves the transfer, effective January 1, 1954, of the counties in Michigan now in the head office zone to the Detroit Branch zone.

Very truly yours,

SEE ATTACHED MEMORANDUM
FROM: Dir. of Bank Ops
DATE: Nov. 23, 1953

(SIGNED) S. R. CARPENTER
S. R. Carpenter,
Secretary.

SEE ATTACHED MEMORANDUM
DIV. OF BANK OPERATIONS
DATED Nov. 23, 1953

For information prior to consideration at a meeting of the Board.

APPROVAL
For circulation
first to Mr. Vardaman

- Mr. Soyars
- Mr. Evans
- Mr. Vardaman
- Mr. Mills
- Mr. Robertson
- Mr. [unclear]

Please read, check and return to Mr. Brennan

Approved
MINUTES ON
DEC 7 1953

FOR FILES
D. K. Vigeant

LSM:st
(11-23-53)

FILE COPY

REC'D IN FILES SECTION

122.7(7)
D. 15 1953

November 23, 1953.

FILES

R. F. Leonard

Change in Detroit Branch

Territory.

The record as to the Directors' actions, in Mr. Young's letter of November 10, was not altogether clear and, accordingly, I asked him if the Directors had taken formal action upon the proposed transfer of territory, in the light of the survey.

Mr. Young said, "No" -- that he considered that the formal action was taken at the April 9 meeting of the Executive Committee, referred to in Mr. Young's letter of May 26.

Mr. Young said that during recent meetings of the Directors there had been reference to the progress of the surveys. At the meeting on November 5, for instance, he had commented upon the favorable reaction of the banks to the proposed transfer. At the meeting of November 19, he reported that he had advised the Directors that the final report regarding the proposed transfer had been placed in the hands of the Board of Governors.

Mr. Young said that at the meetings there had been simply a report as to the situation and some discussion, but no formal action taken or requested. Mr. Young said that no objections were raised at the meetings.

As some opposition might have been expected from the large correspondent banks in Chicago, I asked whether Mr. Gummings had been present at the meetings. Mr. Young said that he had been present at the meeting of the Executive Committee on April 9 when formal action was taken, and at the meeting November 19.

RFL:jbs

RFL

FILE COPY FOR FILES D. R. Vigeant

FOR FILE
J. A. Smith

REC'D IN FILES SECTION
NOV 24 1953
122,7 (7)

November 23, 1953

Board of Governors
Division of Bank Operations

Study of Detroit Branch boundaries
recommending inclusion of entire lower
peninsula of Michigan.

Attached is a letter dated November 10, 1953 from President Young of the Federal Reserve Bank of Chicago recommending the transfer of the counties in Michigan now in the head office zone to the Detroit Branch zone.

Mr. Young states in his letter that the Bank's Board of Directors has discussed this matter many times during recent years and took affirmative action on April 9, 1953, at a meeting of the Executive Committee at which a majority of the Board was present.

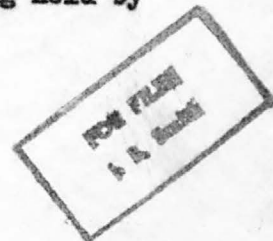
The action taken by the Chicago Directors on April 9, 1953, was reported to the Board of Governors and the Board concurred in the Bank's belief that a survey should be made which would include contacting each banking institution in Michigan now being served by the head office. Mr. Young states that the survey has now been completed; that there has been complete acceptance of the plan; that there is no actual opposition; and that the Bank is now in a position to recommend that the change become effective January 1, 1954.

A significant characteristic of the plan presented is its flexibility. Present correspondent bank relationships will not necessarily be disturbed by the change since banks in the affected area will continue to have the choice of dealing with either the Chicago head office or the Detroit branch in most matters. For instance, safekeeping can be handled at the head office or the branch; money shipments can be made from either point to best accommodate the bank served; and payment for cash letters can be made in Detroit or Chicago exchange.

Reserve accounts of member banks in the area would be transferred from the head office to the branch. Fiscal Agency matters of the affected member and nonmember banks would be performed by the Detroit Branch. It is expected that most services which can be logically handled by the Branch will gravitate to that office where a natural tie with member bank reserve accounts will exist.

The present Branch territory has 180 banks, of which 97 are members. The northern and western portion of the lower peninsula of Michigan has 195 banks, of which 90 are members. Though roughly half the banks on the lower peninsula are in the area recommended for annexation, these banks hold only 18 percent of the deposits, 82 percent being held by banks now served by the Branch.

FILE COPY



The Detroit Branch now provides all services that are available at the head office. Apparently, in earlier years proposals that the Branch be given additional territory were turned down on the ground that the Branch did not at that time perform all services rendered at the head office. More recently, consideration of additional territory has been postponed pending completion of the new building at Detroit. Adequate space is now available for the expanded volume. This would tend, of course, to lessen the work load at the head office. It is estimated that the Branch could handle the volume from the expanded territory with 11 additional employees. New equipment needs would be negligible.

The report itself is in two volumes and is summarized below:

Volume 1 is prefaced by three explanatory memoranda but consists primarily of 106 reports of interviews with member and nonmember bankers affected by the proposed change. A majority of the bankers at the 89 member banks visited indicated that they expect to feel little or no effect from the change. Others expressed general approval of the proposal as a "logical step". A few seemed to have some reservation of mind about it. These tend to be found most frequently in the southwest corner of Michigan in towns where transportation facilities to Chicago are particularly convenient. In each instance of this kind the banker was assured that the flexible features of the plan would enable the Federal Reserve Bank to continue to render its services from Chicago wherever it might be advantageous to do so. In no case did actual opposition develop. The reactions of the officers of the Michigan State Banking Department were "very favorable".

Volume 2 is in two sections, (1) trade flows analysis and (2) exhibits. Trade flows as between Detroit or Chicago are described for 21 communities representing a geographical cross-section of the western and northern portions of the lower peninsula of Michigan. The report concludes that commerce in 15 of the communities is more closely associated with Detroit than Chicago, 3 with Chicago, and 3 neutral. Five of the 6 neutral or Chicago oriented centers are in the southwest corner of the State.

The exhibits consist of maps and other materials from surveys made by utilities and public or private agencies interested in Michigan trade flows. These show that most of the lower peninsula of Michigan lends itself to being treated as a unit with Detroit as its center for a number of business purposes.

It is recommended that the Board approve the plan for expanding the territory served by the Detroit Branch so as to include the entire lower peninsula of Michigan effective January 1, 1954. Attached is a draft of letter to President Young.

12/7/53
Attachment

WMG/nss

Sub.
RFA
FILE COPY

14

FEDERAL RESERVE BANK OF CHICAGO



OFFICE OF THE PRESIDENT

M. Leonard

REC'D IN FILES SECTION
DEC 15 1953
122,7(?)
November 10, 1953

JW

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Gentlemen:

The spade work involved in including the entire lower peninsula of the state of Michigan in the Detroit Branch territory has been concluded and we are now in position to recommend that this become effective January 1, 1954.

The original reasons for having limited branch territory to nineteen counties are now obscure, as the decision was made many years ago. Undoubtedly one of the most compelling was that previous to ten years ago Detroit was a limited service branch and not in position to render the type of service necessary to warrant territory extension.

Trade area lines set thirty-six years ago (1918) have long since become obsolete due primarily to the growth of the automobile industry centered in Detroit. In the last few years this step could not have been taken as the physical facilities at Detroit were not adequate to handle the additional work involved. This has been solved with our new building.

The flexibility of our plan has made it most acceptable as:

It does not disturb present correspondent bank relationships.

It provides that safekeeping can be handled either at head office or the branch, or at both in deference to the market on which the bank buys and sells its securities.

Money shipments can be made from either point to best accommodate the bank served.

Payment for cash letters can be made in Detroit or Chicago exchange, or charged to reserve account which will save a great many transfers of funds.

After this plan has been in operation six months it is felt that any kinks that develop will have been ironed out. It is obvious as time goes on that most services which can be logically handled by the branch will gravitate to that office where they naturally tie into the point at which the bank's account is kept.

Copy filed

301.1 (7)

FOR FILES D. K. Vigeant

Board of Governors of the
Federal Reserve System

- 2 -

November 10, 1953

Our ability to offer flexibility has had a lot to do with complete acceptance of the plan. There is no actual opposition. At a few points, bankers who are naturally not as enthusiastic as others are completely neutral.

Our Board of Directors has discussed this matter many times during recent years and took formal affirmative action on April 9, 1953, at a meeting of the Executive Committee at which a majority of the Board was present. 11

We feel that this matter has been very carefully analyzed and thoroughly explored, and submit in support the following:

Vol. 1 ^{11/10/53 filed Packet} — Memorandum of October 1, 1953 setting out—
 Historic background
 Trade Flow Survey
 Effect on Chicago and Detroit banks
 Effect on member and nonmember banks in Chicago—
 Michigan territory
 Effect on Detroit Branch
 Importance of present Branch territory
 Recommendation re procedure

Map indicating settlements for cash letters.

Memorandum of Russel A. Swaney of November 7, 1953.

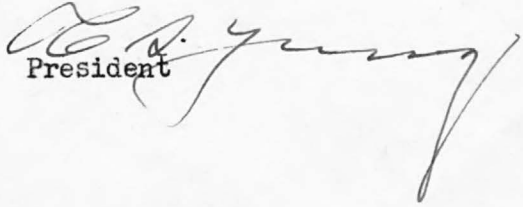
Statement of men making field calls on the banks involved.

Field men's report of calls on each bank.

Vol. 2 — Michigan Trade Flows. ^{11/10/53 filed Packet}

As soon as you have acted on this matter, a complete and detailed letter of instructions to banks will be prepared so that the transition will be accomplished on January 2, 1954.

Very truly yours,


President

Enclosures

RECORDED IN FILES SECTION
NOV 4 1953
722.7(7)
November 3, 1953

Governor Vardaman

R. F. Leonard

Change in Detroit Branch
Territory.

See letter 5/26/53
This advice is for information only and no action is indicated.

Last May the Federal Reserve Bank of Chicago advised that the Bank proposed to contact each banking institution in Michigan now served by the head office with a view to having the branch territory expanded to cover the entire lower peninsula of Michigan.

In a letter dated June 2 the Board replied that it concurred in the belief that the proposed survey would be desirable and expressed its interest in learning of the results and the recommendation of the directors in the light of the survey.

In a conversation on another matter this morning, Mr. Harris, First Vice President of the Federal Reserve Bank of Chicago, said that officers of the Federal Reserve Bank and branch are visiting the banks in the area which the Bank would like to have transferred to the branch zone, and said that the responses are excellent, including favorable responses of banks which the Reserve Bank felt might object to the transfer.

Mr. Harris said that they hoped to have the survey completed and the recommendation of their directors submitted to the Board around December 1, with the change, assuming it is to be made, effective January 2, 1954.

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FOR FILES
J. A. Smith

RF

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R D FILES SECTION
JUN 10 1953 275
722.7(7)
ms

JUN - 2 1953

Mr. C. S. Young, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Young:

Thank you for your letter of May 26, 1953, informing the Board of the action of your Executive Committee and the favorable attitude of the directors with respect to the proposed enlargement of the Detroit Branch's territory.

It is noted that, before making a recommendation as to change in territories, you propose to approach each banking institution in Michigan now being served by the Head Office regarding the proposal. The Board concurs in your belief that such a survey is desirable and will be interested in learning of the results and of the recommendation of your directors in the light of the survey.

Very truly yours,

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

RFL:hb
6-2-53

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Approved
MINUTES ON
ms
JUN - 2 1953

FOR FILES
M. B. Treakle

*First sent.
See letter dated
6/7/53.
Law*

Mr. C. S. Young, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Young:

Thank you for your letter of May 26, 1953, in-
forming the Board of the action of your Executive Committee
and the favorable attitude of the directors with respect
to the proposed enlargement of the Detroit Branch's ter-
ritory.

It is noted that, before making a recommendation
as to change in territories, you propose to approach each
banking institution in Michigan now being served by the
Head Office regarding the proposal. The Board concurs in
your belief that such a survey is desirable and will be
interested in learning of the results and of the *recommendation of* (action
taken by) your directors in the light of the survey.

Very truly yours,

S. R. Carpenter,
Secretary.

- For Approval, *Vardaman*
- First to Gov. *Vardaman*
- Gov. Szymczak
- Gov. Evans
- Gov. Vardaman
-
- Gov. Mills
- Gov. Robertson
- Chm. Martin

If you approve, please
initial and return to
Mr. Brennan

RF 12 p04
5-28-53
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FOR FILES
M. B. Treakle

FEDERAL RESERVE BANK OF CHICAGO

W. Leonard

IN FILES SECTION
JUN 10 1953
132.7(7)

May 26, 1953

WAB

mt

OFFICE OF THE PRESIDENT



Mr. S. R. Carpenter, Secretary
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Mr. Carpenter:

I am quoting below an excerpt from the minutes of a meeting of the Executive Committee of this Bank held April 9, 1953, with regard to extension of the territory served by the Detroit Branch:

"President Young reminded the Committee that it had been contemplated for several years that upon the completion of the new Detroit Branch building consideration would be given to the extension of the territory served by the Detroit Branch to cover the entire lower peninsula of Michigan. He believed that the time had now arrived to initiate discussions of this matter with banks in Michigan and with the Board of Governors.

"UPON MOTION duly made, seconded and carried, the President was authorized to communicate with the Board of Governors and express the favorable attitude of the directors with respect to the proposed enlargement of the Detroit Branch's territory."

We believe it advisable to contact each banking institution in Michigan now being served by the Head Office in this respect, and hope the Board of Governors will grant us permission to get started on the survey as soon as possible. The results of this survey will be referred to our Board of Directors and then forwarded to the Board of Governors for consideration.

Very truly yours,

W. S. Young
President

approved

MINUTES ON

JUN - 2 1953

FOR FILES
M. B. Treakle

REC'D IN FILES SECTION
fills
OCT 22 1954
October 22, 1954

122.7(8)

Governor Vardaman
Lowell Myrick

122.7(7) K

Referring to our memorandum of October 4, attached are
maps showing the Rand McNally trading areas of the Sixth and
Eighth Federal Reserve Districts.

Attachments / *not available for files*

copy filed 122.7(8)

LSM:pbi

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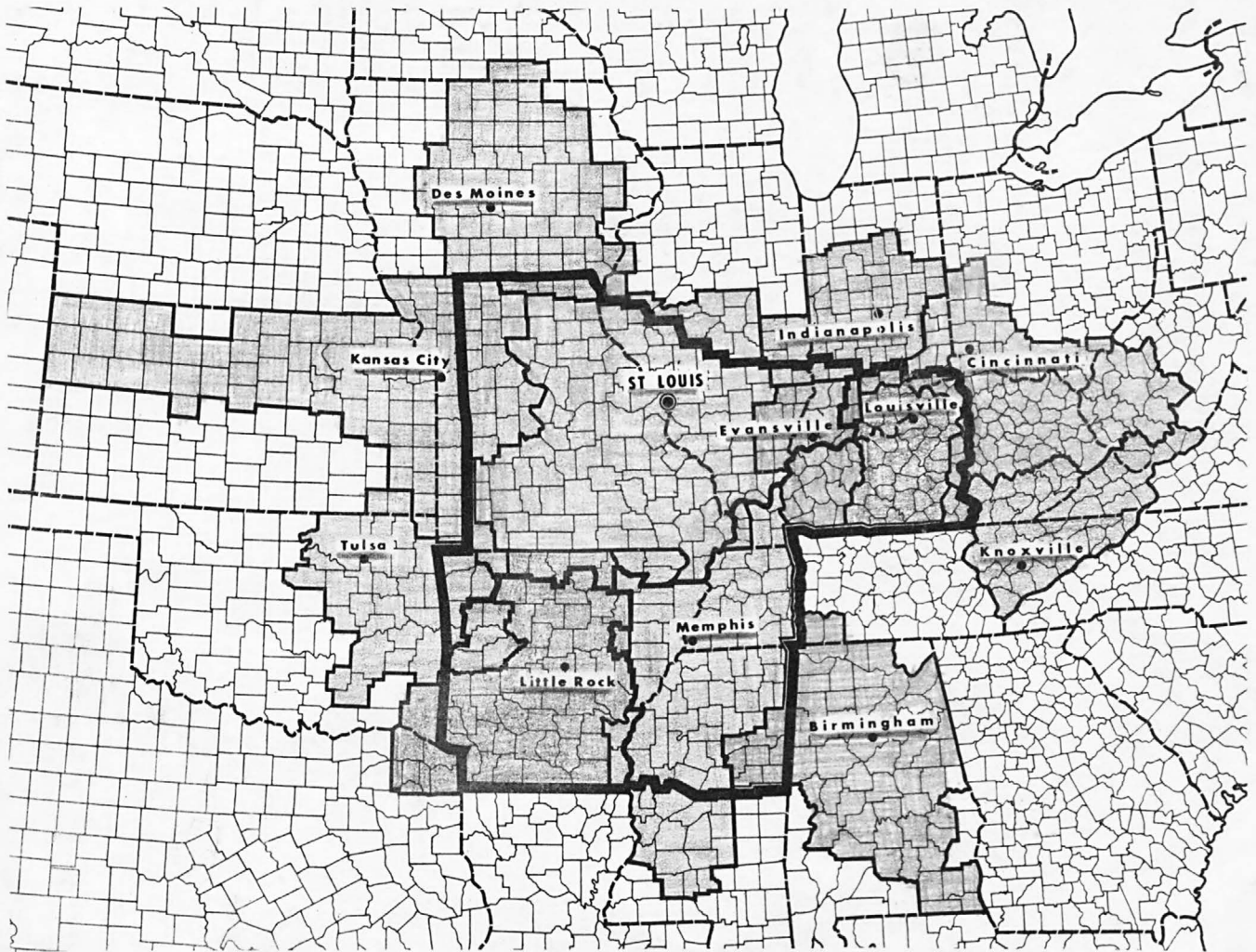
FOR FILES
Patricia B. Ivie

RECORDS IN RECORDS SECTION
JAN 11 1956
122.7(8)

RAND McNALLY

TRADING AREAS

EIGHTH FEDERAL RESERVE DISTRICT



Major trading centers shown in bold type.

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

June 23, 1954

Mr. Stork ✓
Mr. Leonard ✓
Mr. Daniels ✓
Miss Werner ✓
Mr. Graham

REC'D IN FILE SECTION
at CAB JUL 16 1954
122.7 (8)

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Sirs:

Reference is to the Board's letter of June 4, 1954 approving intra-District transfer of the following towns to our offices indicated:

<u>Town</u>	<u>From</u>	<u>To</u>
Gentry, Arkansas	Little Rock	St. Louis
Mansfield, Arkansas	Little Rock	St. Louis
✓ Jonesboro, Arkansas	St. Louis	Memphis
✓ Mena, Arkansas	St. Louis	Little Rock
De Valls Bluff, Arkansas	Memphis	Little Rock
Ferdinand, Indiana	St. Louis	Louisville
✓ Morganfield, Kentucky	St. Louis	Louisville
Paris, Tennessee	St. Louis	Memphis
✓ Union City, Tennessee	St. Louis	Memphis

This is to advise the Board that the foregoing transfers will be effected as of the opening of business on July 1, 1954.

Yours very truly

Frederick L. Deming
Frederick L. Deming
First Vice-President

FOR FILES
M. F. Jones

257

REC'D IN FILES SECTION
JUN 14 1954
122.7 (8)

JUN - 2 1954

Mr. Frederick L. Deming, First Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Deming:

Referring to your Bank's letters of March 11 and May 18,
the Board of Governors approves the transfer of the following nine
Eighth District towns to the Federal Reserve offices serving the
counties in which they are located.

<u>Town</u>	<u>From</u>	<u>To</u>
Gentry, Arkansas	Little Rock	St. Louis
Mansfield, Arkansas	Little Rock	St. Louis
- Jonesboro, Arkansas	St. Louis	Memphis
- Mena, Arkansas	St. Louis	Little Rock
De Valls Bluff, Arkansas	Memphis	Little Rock
Ferdinand, Indiana	St. Louis	Louisville
- Morganfield, Kentucky	St. Louis	Louisville
Paris, Tennessee	St. Louis	Memphis
- Union City, Tennessee	St. Louis	Memphis

It is noted that the four member banks affected, located
in Union City, Morganfield, Jonesboro and Mena, are agreeable to
such transfer; that at this time there are no member banks in the re-
maining five towns; and that the mechanics of such reassignment will
involve only the inter-office transfer of the reserve accounts of the
four banks indicated, and will in no way affect the efficiency of the
Bank's collection, money, or other, services.

It will be appreciated if you will notify the Board when
the effective date of the change is determined.

Very truly yours, *Approved*
MINUTES ON
JUN 2 1954

(SIGNED) S. R. CARPENTER
S. R. Carpenter,
Secretary.

For Approval:

Gov. Szymczak *Szymczak*

Gov. Evans *ab*

Gov. Vardaman *a*

Gov. Mills

Gov. Robertson

Chm. Martin

Handwritten signatures and initials:
WVG:pbl
5-27-54

FILE COPY

FOR FILES
ZOE GRATSIAS

If you approve, please
initial and return to
Mr. Brennan

Memoranda File

June 7, 1954

REC'D IN RECORDS SECTION
MAR 27 1957
122.7 (2)

Mr. Frederick L. Deming, First Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Deming:

Referring to your Bank's letters of March 11 and May 18,
the Board of Governors approves the transfer of the following nine
Eighth District towns to the Federal Reserve offices serving the
counties in which they are located.

<u>Town</u>	<u>From</u>	<u>To</u>
* Gentry, Arkansas	Little Rock	St. Louis
* Mansfield, Arkansas	Little Rock	St. Louis
· Jonesboro, Arkansas	St. Louis	Memphis
· Mena, Arkansas	St. Louis	Little Rock
* De Valls Bluff, Arkansas	Memphis	Little Rock
* Ferdinand, Indiana	St. Louis	Louisville
· Morganfield, Kentucky	St. Louis	Louisville
* Paris, Tennessee	St. Louis	Memphis
· Union City, Tennessee	St. Louis	Memphis

It is noted that the four member banks affected, located
in Union City, Morganfield, Jonesboro and Mena, are agreeable to
such transfer; that at this time there are no member banks in the re-
maining five towns; and that the mechanics of such reassignment will
involve only the inter-office transfer of the reserve accounts of the
four banks indicated, and will in no way affect the efficiency of the
Bank's collection, money, or other services.

It will be appreciated if you will notify the Board when
the effective date of the change is determined.

*See letter
of 6-23-54*

Very truly yours,

S. R. Carpenter,
Secretary.

* Omitted from list published in 1953 Annual Report because
there are no member banks in these cities. See correspondence
in January-February 1954. *Dhw*

WMG:pbl
5-27-54

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

May 18, 1954

REC'D IN FILES SECTION
JUN 14 1954
122.7 (8)

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Sirs:

Our letter and report of March 11 with reference to the boundaries and territorial divisions of the Eighth District mentioned eleven cases in which a single town was assigned to one office of this bank and the remainder of the same county assigned to another. The report recommended that each such town be transferred to the latter territory, and the Board by letter of March 22, 1954 stated no objection would be interposed to our ascertaining the views of member banks affected.

Thereafter we interviewed the six member banks involved. Four, located respectively in Union City, Tennessee, Morganfield, Kentucky and Jonesboro and Mena, Arkansas, were agreeable to such transfer. The other two, located in Holland and Loogootee, Indiana, indicated their wish to continue present assignment. The matter was not deemed of sufficient urgency to take action at this time in the latter cases and, accordingly, our study of the recommended transfers was confined to the remaining nine towns.

It was recognized that the primary consideration in the establishment of intradistrict territories is the efficiency with which a particular office may serve the area assigned. Secondarily, however, we felt that such territories should be compact and contiguous, and that the county unit was the appropriate basis of territorial division.

In the light of these considerations and after consultation with our branches, management concluded that the special assignment of these towns served no useful purpose in cases where member banks were so located and was particularly anomalous where no member banks were involved. It was further found that the mechanics of such reassignment would involve only the inter-office transfer on our books of the reserve

FOR FILES
ZOE GRATSIAS

Page 2
Board of Governors of the
Federal Reserve System
May 18, 1954

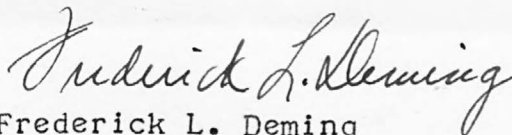
accounts of the four banks indicated, and would in no way affect the efficiency of our collection, money and other services.

Based on the foregoing, our Board of Directors on May 13 voted to effect the following changes in territorial assignments, subject to the approval of the Board of Governors:

	<u>From</u>	<u>To</u>
Gentry, Arkansas	Little Rock	St. Louis
Mansfield, Arkansas	Little Rock	St. Louis
Jonesboro, Arkansas	St. Louis	Memphis
Mena, Arkansas	St. Louis	Little Rock
DeValls Bluff, Arkansas	Memphis	Little Rock
Ferdinand, Indiana	St. Louis	Louisville
Morganfield, Kentucky	St. Louis	Louisville
Paris, Tennessee	St. Louis	Memphis
Union City, Tennessee	St. Louis	Memphis

Accordingly, the approval of the Board of Governors of such action of the Board of Directors of this bank is respectfully requested.

Very truly yours



Frederick L. Deming
First Vice-President

REC'D 1 FILES SECTION
MAR 23 1954
122.7(8)

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BH
MH

MAR 22 1954

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Johns:

Thank you for your letter of March 11/ transmitting a report summarizing your Bank's study of district and branch territory boundaries for the Eighth Federal Reserve District.

It is noted this report concludes that there are no compelling reasons to change present district boundaries; and that there are no persuasive reasons to change the present county make-up of intradistrict territories or the number of Eighth District branches.

Also noted is the recommendation that your Bank explore further the desirability of shifting eleven Eighth District towns to the Federal Reserve offices serving the counties in which they are located. The Board interposes no objection to your proposal to ascertain the views of the six member banks in these towns.

Approved
MINUTES ON
MAR 22 1954

Very truly yours,

For Approval, Vardaman
First to Gov. Vardaman
Gov. Szymczak ✓
Gov. Evans ✓
Gov. Vardaman ✓
Gov. Mills ✓
Gov. Robertson ✓
Chm. Martin ✓

(SIGNED) S. R. CARPENTER
S. R. Carpenter,
Secretary.

Handwritten signatures and initials: WMG:rb 3/16/54, JPK, and other scribbles.

FILE COPY

If you approve, please initial and return to Mr. Brennan.

FOR FILES
ZOE GRATSIAS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
OFFICE OF GOV. VARDAMAN

Memorandum

When this matter comes up in Board meeting, it is suggested that it be discussed (in my absence or if I am present) in the light of the proposed transfer of territory to branch offices. I will go along with whatever decision the majority makes.

J.K.V.
3-18-54

FOR FILES
D. K. Vigeant

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

REC'D IN FILES SECTION
MAR 23 1954
122.7(8)

OFFICE OF
THE PRESIDENT

March 11, 1954

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Gentlemen:

Attached to this letter is a report summarizing our study of, and recommendations with respect to, boundaries of the Eighth Federal Reserve District and its head office and branch zones. As stated in the final section of the report:

"The investigation of district and intradistrict boundaries in the Eighth District leads to these conclusions:

1. There are no compelling reasons to change present district boundaries.
2. There are no persuasive reasons to change the present county make-up of intradistrict territories.
3. It would be desirable to shift eleven Eighth District towns presently assigned to offices other than those serving the home counties of the towns to these offices. It is recommended that the St. Louis Bank explore this matter further.
4. There are no persuasive reasons to change the number of Federal Reserve offices (full branches) in the Eighth District."

Pages 5 to 8 of the report, particularly the table on page 7, give the details with respect to the third conclusion. We wish to report to the Board that, unless it interpose objection, we propose to ascertain the views of each of the member banks in each town now attached to one office of this Bank where the home county of such town is attached to another office, with respect to shifting the town to the territory which includes the home county.

Very truly yours

Delos C. Johns
Delos C. Johns
President

FOR FILES
ZOE GRATSIAS

Federal Reserve Bank of St. Louis
February 24, 1954
MAR 23 1954

Eighth Federal Reserve District and Intradistrict Boundaries

This report summarizes several studies made by officers and staff of this Bank in connection with the general subject of Eighth District boundaries and boundaries of head office and branch zones.

I. General Comment

The establishment of boundaries for regions in a nation as large as the United States ideally calls for consideration of a number of factors: economic and geographic characteristics, including resources, population, and trade flow patterns; transportation and communication facilities; institutional relationships, including already established political boundary lines as well as economic and social institutions; and an eye for natural geographic boundary lines plus reasonably straight-line boundaries where they can be used.

When the Federal Reserve districts were established forty years ago these or similar factors were considered, and the result has proved to be, after forty years of institutionalization, reasonably good. Actually, the very fact that the districts were defined geographically tended to create as time passed some new institutional relationships which themselves probably have operated to make the districts look even better today than they might have looked at their inception. It seems to be true that even a region badly defined originally, established for administrative purposes and continued for some time, will take on characteristics over the years that will

FOR FILES
ZOE GRATSIS

rationalize the original choice of boundary lines. The district boundaries were defined reasonably well in the beginning and their institutionalization apparently has strengthened the case for present boundaries being continued.

It is useful to keep three additional points in mind in connection with any study of possible change in administrative area boundary lines. First, developments in transportation and communication have made it far easier than it was forty years ago to serve almost all points in any district efficiently and economically from presently established offices. Second, there has been a growing tendency to establish flexible working arrangements so that points along district (or intradistrict) borders may be served by either two offices or by an office in another area where conditions warrant. Such arrangements need not be fixed for all operations but may be varied for any given operation or set of operations. Third, it should be remembered that the very drawing of a boundary line automatically produces borderline points, which by their nature always pose problems as to service.

II. Eighth District Boundaries

The present boundaries of the Eighth Federal Reserve District, when subjected to the tests of the various factors noted above, seem to be well enough drawn as to create no strong reasons for change.

A fairly thorough examination of borderline counties along the Eighth District boundaries shared with the Chicago, Cleveland, Atlanta, Dallas, and Kansas City Districts leads to these conclusions: (1) A mild

case may be made for shifting some sixty-odd counties from or to the Eighth District if consideration is given primarily to the factors of economic characteristics and resources. When the factor of trade flows is considered however, it cancels out all but one of the county cases along the north, east, and south boundaries of the District. Trade flows of those counties presently in the Eighth District tend to be toward Eighth District trade centers and those of counties located in the other districts tend to be away from Eighth District centers. Examination of institutional relationships confirms the trade flow picture. Transportation and communication facilities are at least as good from and to Eighth District offices as from other district offices. In the one case (Mercer County, Kentucky) where trade flow seems to be away from the Eighth District, its transfer to the Fourth District would have the effect of breaking the general north-south line of counties along the border of the two districts. Since the county can be served adequately from Louisville, there seems to be no compelling reason to make any transfer.

The western border of Eighth District Arkansas is a state boundary and no change in that line seems desirable. Along the western border of Eighth District Missouri, however, is a group of 17 counties (11 in the Eighth District and 6 in the Tenth District) which, on the basis of economic characteristics, trade flows, and institutional relationships, might be shifted. Such a shift would have the effect of changing the present straight line boundary from north to south between the districts and creating a v-shape boundary, with its center somewhat east of the present boundary line and its north and south extremities somewhat west of the present boundary line.

The strongest existing case for a possible change in the Eighth District boundary line is found here. The area can be served efficiently by either Kansas City or St. Louis, however, and forty years of history and the general desirability of a reasonably straight line boundary argue against making a change.

Therefore, the examination of Eighth District boundaries leads to the conclusion that no changes be made at this time.

III. Intradistrict Territory Boundaries

In connection with intradistrict boundary lines, insofar as they follow county boundaries, the case for any change is weak. (As noted later, however, some change in certain town assignments seems desirable.) On the basis of similar economic characteristics and resources, some northwest Arkansas counties might be shifted from St. Louis to Little Rock territory, and some east central Arkansas counties might be transferred from St. Louis and Little Rock to Memphis territory. Originally these territorial assignments were made primarily on the basis of transportation and communication facilities. It used to be much easier, for example, to reach banks in northwest Arkansas from St. Louis than from Little Rock. This situation no longer holds, however, and Little Rock now can reach northwest Arkansas as easily as St. Louis can.

On the other side of this question, however, mail and express service to practically all banks in this district located contiguous to present zone boundaries can be reached from two or more of our offices overnight, and mail originating from such points will reach two or more of our offices overnight. Therefore, on the basis of service, there is little argument for boundary change. Our intradistrict

borderline cases can be served as well from their present Federal Reserve offices as from the ones to which they most logically would be transferred.

In this connection, it should be noted that the operating practice of the Federal Reserve Bank of St. Louis and its branches is to serve a bank from the office which can serve it most conveniently and expeditiously, irrespective of the zone in which the bank is located. Most such cases, naturally, exist on zone borders. In all cases where it is more economic or more expeditious to handle currency and coin shipments from offices of this Bank other than the one where the reserve account is carried, arrangements have been made to handle the shipments through such offices. Fifty-eight member and non-member par banks in this district now receive cash letters from at least two, and in some cases from three, offices of this Bank under what we call "operational routing arrangements". Thus banks in Fort Smith, Arkansas receive cash letters from St. Louis and Little Rock. Those in Pine Bluff, Arkansas receive cash letters from St. Louis, Little Rock, and Memphis, and those in Evansville from St. Louis and Louisville.

Given the facts of easy transportation and communication in the Eighth District and of operating practices which aim at fast and economical service irrespective of the location of the reserve account, there seems to be little if any reason to redraw intradistrict boundaries in this District.

The one exception to this general statement has to do with a situation peculiar to the Eighth District. In this District there are eleven cases where a certain town is officially part of the territory served by one office, whereas the county in which the town is located is officially

part of another office's territory. In five cases, there are no member banks in the towns concerned, and consequently the question of location of a reserve account is irrelevant. In six cases member banks are located in towns attached to one office where their home counties are attached to other offices.

This situation apparently arose from a desire to give a member bank free choice of the office in which the bank would carry its reserve account. Once one bank in a given town made such a choice, however, all other banks in that town subsequently becoming members would be required to be attached to that same office. Whether or not this situation has inhibited other banks in these towns in becoming members is not known. Nor is it known whether or not all banks in the cases noted continue to prefer to carry their reserve accounts in the offices in which they presently carry them. We have indications that in one case the member bank would prefer to shift its reserve account to the district office serving its home county.

The following table lists the eleven cases noted:

<u>State</u>	<u>County</u>	<u>Town</u>	<u>Office to which Town is Attached</u>	<u>Office to which Home County is Attached</u>	<u>Number of Member Banks in Town</u>	<u>Number of Non-member Banks in Town</u>
Arkansas	Benton	Gentry	Little Rock	St. Louis	0	1
Arkansas	Craighead	Jonesboro	St. Louis	Memphis	1	2
Arkansas	Polk	Mena	St. Louis	Little Rock	1	1
Arkansas	Prairie	DuValls Bluff	Memphis	Little Rock	0	1
Arkansas	Sebastian	Mansfield	Little Rock	St. Louis	0	1
Indiana	Dubois	Ferdinand	St. Louis	Louisville	0	1
Indiana	Dubois	Holland	St. Louis	Louisville	1	0
Indiana	Martin	Loogootee	St. Louis	Louisville	1	0
Kentucky	Union	Morganfield	St. Louis	Louisville	1	1
Tennessee	Henry	Paris	St. Louis	Memphis	0	2
Tennessee	Obion	Union City	St. Louis	Memphis	1	1

It is recommended that the Federal Reserve Bank of St. Louis investigate further the possibility of shifting the above eleven towns from the offices to which they presently are attached to those serving their home counties.

It is suggested that this recommendation be effected as follows:

1. That, unless the Board of Governors interpose objection, the views of each of the above-indicated member banks be sought with respect to the proposed transfer of its town.

2. That subsequent to such survey (and depending upon the views of the member banks) these recommendations be submitted to the Branch Boards of Directors for their approval of transfers affecting the respective Branches.

3. That our Board of Directors reassign such towns on the

basis indicated above, such reassignment to be subject to the approval of the Board of Governors.

4. That the approval of the Board of Governors of such changes be requested in accordance with the regulations relating to Branches of Federal Reserve Banks (F.R.LLS 2700 et seq.)

This recommendation is made solely to clear up a peculiar geographical situation which requires footnote clarification in any description of intradistrict territories which we publish. Service to these points is adequate under present arrangements, and will be just as adequate under the proposed shifts (which incidentally may not result in any changes in our present operational service procedures).

These are the only changes recommended in intradistrict boundaries.

IV. Number of Federal Reserve Offices in the Eighth District

We have investigated the question of whether the Eighth District needs more or less Federal Reserve branches than it presently has. Only two cities offer possibilities for the location of additional branches; Evansville, Indiana and Springfield, Missouri. Service to both areas is good at present. There is some question as to whether the banks in either city would like to take on reserve city reserve requirements. Therefore, we see no reason to increase the number of branches in the Eighth District.

Here it might be noted, however, that the Joint Committee on the Check Collection System has had suggestions concerning the establishment of Federal Reserve "agencies" in certain large cities without Federal Reserve offices at present, such "agencies" to receive checks on banks in those cities for presentation through local clearings. It is possible that such arrangements would be useful in Springfield and Evansville, but they would not be full scale branches.

On the other side of this question, we have investigated the possibility of eliminating one or more Federal Reserve Branches in the Eighth District. Our present branches are strategically situated and the elimination of any one would tend to make our services somewhat less efficient and economical than it is at present.

V. Summary

The investigation of district and intradistrict boundaries in the Eighth District leads to these conclusions:

1. There are no compelling reasons to change present district boundaries.
2. There are no persuasive reasons to change the present county make-up of intradistrict territories.
3. It would be desirable to shift eleven Eighth District towns presently assigned to offices other than those serving the home counties of the towns to these offices. It is recommended that the St. Louis Bank explore this matter further.
4. There are no persuasive reasons to change the number of Federal Reserve offices (full branches) in the Eighth District.

400

REC'D IN FILES SECTION
MAR 9 1954
122.7 (11)

MAR - 3 1954

Mr. W. D. Gentry, First Vice President,
Federal Reserve Bank of Dallas,
Dallas 13, Texas.

Dear Mr. Gentry:

Thank you for your letter of February 16, stating that your Bank has undertaken a study of the need for changes in existing boundary lines of the Eleventh Federal Reserve District.

It is noted that, upon appraisal of the facts, a committee of senior officers concluded that no changes are necessary for your district at this time.

Very truly yours,

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

For Approval,	<i>Szymczak</i>
First to Gov.....	
Gov. Szymczak	<input checked="" type="checkbox"/>
Gov. Evans	<input checked="" type="checkbox"/>
Gov. Vardaman	<input checked="" type="checkbox"/>
.....	
Gov. Mills	<input checked="" type="checkbox"/>
Gov. Robertson	<input checked="" type="checkbox"/>
Chm. Martin	<input checked="" type="checkbox"/>

If you approve, please
initial and return to
Mr. Brennan
Approved
MINUTES ON
OK
MAR - 3 1954

W
MP
MR
LR
WKG:rb
2/26/54
RL

FILE COPY

FOR FILES
D. K. Vigeant



W. D. GENTRY
FIRST VICE PRESIDENT

FEDERAL RESERVE BANK
OF DALLAS

Mr. Bernard
RECORDS SECTION
Mr. Gentry
MAR 9 1954 *map*
12217 (11)

February 16, 1954 *a*

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Attention: Mr. S. R. Carpenter, Secretary

Gentlemen:

Reference is made to the request of the Board at the joint meeting with the Presidents on March 5, 1953, that the respective presidents quietly undertake studies of existing Federal Reserve Bank and Branch territories, and advise the Board whether there were changes that would seem desirable in order that the Reserve Banks might serve their member banks more effectively.

This bank and its branches initiated a very comprehensive study early last summer to determine the possible need of changing the territorial boundaries within the district which might involve the transferring of one or more counties from one territory to another, and a similar study was made with respect to the possible need for changes in the boundaries between this district and the San Francisco, Kansas City, St. Louis, and Atlanta districts. It follows, of course, that in most instances the determining factor as to whether a given county or section should be attached to a given territory or a particular district is that of mail service to and from a Federal Reserve office to the most important points in a given county or section. In determining which Federal Reserve office could extend the best service, it was necessary to take into account not only train departures and arrivals, but also the classes of mail which may be dispatched over certain trains and/or star routes. Another factor taken into account was whether, other considerations being equal, a given county or section logically should be attached to one Federal Reserve office as against another because of normal banking and trade relationships. Related to the foregoing is the question of the desirability of changing long established territorial or district boundaries in the absence of some compelling reason.

A committee of senior officers at the head office and the branches has given careful study to this matter, and based upon their appraisal of the facts, have reached the conclusion that no need exists at this time for the change of either the territorial boundaries within the Eleventh Federal Reserve District or the boundaries between the Eleventh Federal Reserve District and adjoining districts.

Very truly yours,

W. D. Gentry

W. D. Gentry
First Vice President

FOR FILES
D. K. Vigeant

REC'D IN FILES SECTION
November 18, 1954
NOV 19 1954
122.7(12)
Extension of Los Angeles

Board of Governors

Division of Bank Operations

Branch territory.

φ

This memorandum is for the Board's information and requires no action.

In a letter dated November 12, 1954 the Federal Reserve Bank of San Francisco has notified the Board that the transfer to the Los Angeles Branch territory of the counties of Kern, Mono, and San Luis Obispo, California, from the Head Office territory, and of Clark County, Nevada, from the Salt Lake City Branch territory will become effective on December 1, 1954.

with orig

see letter

On October 6, 1954 the Board advised President Earhart that it had approved these transfers--

...with the understanding that it will be brought to the attention of the individual banks in the counties to be transferred prior to a formal announcement of the effective date, and that you will furnish the Board with a statement regarding views that may be expressed.

The San Francisco Bank reports that all banks in the counties concerned have been visited, that the proposal was discussed with each of them, and that no bank offered any objection to the transfers. It is further reported that the banks are not particularly concerned about effects upon Reserve Bank services since cash letters and currency shipments will continue to be sent across territorial lines whenever better service will result. There was general agreement that the counties being transferred are more closely associated with Los Angeles than with their present Federal Reserve city.

William M. Graham,
Analyst.

RAF
WMB
WMG:rb

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FOR FILE
S. R. SMITH

REC'D IN FILES SECTION 55
DEC 6 - 1954
122.7(12)
Date November 18, 1954.

Office Correspondence

To Board of Governors

Subject: Extension of Los Angeles

From Division of Bank Operations

Branch territory.

This memorandum is for the Board's information and requires no action.

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For Circulation,

- First to Gov. Szymczak
- Gov. Szymczak
- Gov. Vardaman als
- Gov. Mills
- Gov. Robertson
- Gov. Balderston
- Chm. Martin

Please note, check, and return to Mr. Brennan

William M. Graham
William M. Graham,
Analyst.

[Handwritten initials]

Mr. Myrick
Mr. Kiley

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO 20, CALIFORNIA

November 16, 1954

REC'D IN FILE DIVISION
DEC 6 - 1954
122.7 (12)
mit

Mr. Robert F. Leonard,
Director, Division of Bank Operations,
Board of Governors of the Federal Reserve System,
Washington 25, D. C.

Dear Bob:

As requested in your telephone conversation today, there is enclosed a copy of our proposed press release regarding the transfer of territory to Los Angeles Branch from San Francisco and from Salt Lake City.

Yours very truly,

H. N. Mangels
H. N. Mangels,
First Vice President.

Enclosure.

CERTIFICATE OF AUTHORITY
NOV 17 1954
RECEIVED

[Handwritten initials]

FROM:
FEDERAL RESERVE BANK OF SAN FRANCISCO
NOVEMBER 17, 1954

FOR IMMEDIATE RELEASE

REC'D IN FILES SECTION
DEC 6 - 1954

The Federal Reserve Bank of San Francisco announced today that effective December 1, 1954 the territory of its Los Angeles office will be extended to include San Luis Obispo, Kern, and Mono Counties in California, and Clark County in Nevada. The California counties are now served by the Head Office at San Francisco, and Clark County, Nevada by the office at Salt Lake City.

FEDERAL RESERVE BANK
DIVISION OF
DEC 13 1954
RECEIVED

Handwritten initials/signature

Mr. Sherman
Mr. Leonard
Mr. Berkman

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO 20, CALIFORNIA

November 12, 1954

REC'D IN FILES SECTION
DEC 6 - 1954
122.7 (12)
met

CERTIFICATE BOND

Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

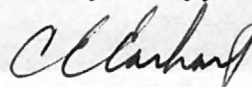
Dear Sirs:

Reference is made to our letter of October 23, 1954, and to previous correspondence relative to the transfer to the Los Angeles Branch zone of the counties of Kern, Mono, and San Luis Obispo, California, from the San Francisco Head Office zone, and of Clark County, Nevada, from the Salt Lake City Branch zone.

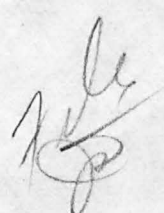
All banks in these counties were contacted informally and no objection was made to the transfer.

Our directors at their meeting on November 10 established December 1, 1954, as the effective date. Formal announcement of the transfer will be made in advance of that date.

Yours very truly,



C. E. Earhart,
President.



REC'D IN FILES SECTION
Hills
NOV 9 1954
122,702
November 2, 1954.

Miss Grunwell

Changes in boundary lines

Lowell Myrick

of Los Angeles Branch territory.

10

Attached ^{with orig} is a copy of a letter from First Vice President Mangels of the Federal Reserve Bank of San Francisco dated October 28, 1954. From his letter it appears that the changes in boundary lines of the Los Angeles Branch territory, which were recently approved by the Board, will become effective December 1, 1954.

^{See 10/6/54}
On this assumption, it is suggested that the changes be made in the map of Federal Reserve districts and branch territories for inclusion in the December and subsequent issues of the Federal Reserve Bulletin.

I have discussed the matter with Miss Burr who agrees with this suggestion.

copy filed 254.02

WMB
WMG:rb

FILE COPY

FOR FILES
Patricia B. Ivie

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO 20, CALIFORNIA

October 28, 1954

Mr. Leonard
Mr. [unclear]

10W
DEC 6 - 1954 ✓
122.7 (12)
MVI

Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Sirs:

This refers to the Board's letter of October 6, regarding the transfer to the Los Angeles Branch zone of the counties of Kern, Mono and San Luis Obispo, California from the San Francisco Head Office zone, and of Clark County, Nevada from the Salt Lake City Branch zone.

All banks in the counties concerned have now been visited and the proposed transfer has been discussed with each of them. There was general agreement that these counties as trade areas are more closely associated with Los Angeles than with San Francisco, or, in the case of Clark County, with Salt Lake City, and no bank offered any objection to the transfer. The banks are not particularly concerned about the effects of the transfer upon our services to them, since, as previously indicated, we are sending cash letters and making cash shipments across zone lines wherever better service results, and the banks were assured that this practice will be continued.

We plan to refer the question again to our directors at their November 10 meeting, with a recommendation that December 1, 1954, be established as the effective date of the transfer, and to notify the banks concerned as soon as possible thereafter.

The Board will be informed definitely of the effective date following our November 10 meeting.

Yours very truly,

H. N. Mangels

H. N. Mangels,
First Vice President.

RECEIVED
OCT 29 1954
FEDERAL RESERVE BANK OF SAN FRANCISCO

[Handwritten initials]

REC'D IN FILES SECTION
OCT 18 1954
122.7 (12)

October 6, 1954

AIR MAIL

Mr. C. E. Earhart, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Earhart:

Reference is made to your letter of July 19, 1954,
requesting that the Board approve the transfer to the Los
Angeles Branch territory of the counties of Kern, Mono, and
San Luis Obispo, California, from the San Francisco Head
Office territory; and of Clark County, Nevada, from the
Salt Lake City Branch territory.

The Board notes that you have discussed the
proposed transfer with some but not all of the banks in the
affected counties. The Board believes that it would be
desirable, prior to effecting the transfer, to inform each of
the banks in these counties of the proposal. It has, accord-
ingly, approved the transfer "with the understanding that it
will be brought to the attention of the individual banks in
the counties to be transferred prior to a formal announcement
of the effective date," and that you will furnish the Board
with a statement regarding views that may be expressed.

It will be appreciated if you will inform the Board
of the effective date of this change as soon as it is determined.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Approved
MINUTES ON
OCT 4 1954

FOR FILES
K. H. Fortunato

This letter was
discussed with
Pres. Earhart by
telephone 10/5/54,
who said he would
be glad to take the
question up with
each of the banks
in affected counties.

LSM:MS:jd

FILE COPY

RE IN FILES SECTION
OCT 18 1954

For information prior to consideration at a meeting of the Board. 3:05pm
8-11-54

*Not used.
See letter dated
10/6/54
Jan*

- For Circulation,
- First to Mr. _____
- Mr. Szymczak _____
- Mr. Evans *abs* _____
- Mr. Vardaman _____
- Mr. Mills _____
- Mr. Robertson _____
- Mr. Marfin _____

Mr. C. E. Earhart, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Please note, check and return to Mr. Brennan **Dear Mr. Earhart:**

*Mr. Vest ✓
Mr. Johnston*

This refers to your letter of July 19, 1954, requesting the Board's approval of the proposal to transfer to the Los Angeles Branch territory the counties of Kern, Mono, and San Luis Obispo, California, from the San Francisco Head Office territory, and Clark County, Nevada, from the Salt Lake City Branch territory.

In acting upon matters concerning territorial boundaries the Board has customarily had the views of the banks affected. Accordingly, it would be appreciated if your Bank would make a survey of the opinions of at least the member banks affected, and perhaps of nonmember banks as well if this seems appropriate.

The Board's records do not show whether the Los Angeles and Salt Lake City directors have formally acted on the proposal. An indication from you of their views would also be desirable.

It may be stated at this time that the Board is inclined to approve the proposed territorial changes if they are agreeable to the member banks concerned.

Very truly yours,

S. R. Carpenter,
Secretary.

Subs
WMG:rb
8/9/54

FILE COPY

*File
Jan*

For information prior to
consideration at a meet-
ing of the Board.

Kenyon
7 Bd Mem + GBV +

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RFL

(info copies HFS, LPB)
September 29, 1954.

To: Board of Governors
From: Division of Bank Operations

Subject: Extension of Los Angeles
Branch territory boundaries.

REC'D IN FILES SECTION
OCT 18 1954
122.7 (12)

This supplements our memorandum to the Board dated August 11, 1954 which summarizes the findings of the Federal Reserve Bank of San Francisco as result of the Bank's study of Twelfth District boundaries. These findings include a proposal to transfer to the Los Angeles Branch territory the California counties of Kern, Mono, and San Luis Obispo, now assigned to the Head Office, and Clark County in Nevada, which is now part of the Salt Lake City Branch territory.

At the Board meeting on August 12, ^{10/6/54} it was decided to defer action on this proposal until after discussion at a time when a full Board is available. Meanwhile, two points raised in the August 11 memorandum and mentioned in the then proposed letter to the San Francisco Bank have been clarified by Mr. Leonard's conversation with President Earhart while he was in Washington for the Presidents' Conference. One point concerns the views of the member banks affected; the other, the position of the Los Angeles and Salt Lake City directors. The attached memorandum from Mr. Leonard dated September 24, 1954 digests his conversation with President Earhart on this subject.

In light of the additional information now available, a revised draft of the letter to the Federal Reserve Bank of San Francisco is also attached. It is recommended that the Board approve the proposed transfer.

(Signed) William M. Graham

William M. Graham,
Analyst.

FOR FILES
K. H. Fortunato

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

September 24, 1954

To: Files

Subject: Los Angeles Branch
Territory

From: R. F. Leonard

REC'D IN FILES SECTION

OCT 18 1954

When President Earhart was here for the Presidents' Conference I had the opportunity to talk with him briefly regarding the proposal for a change in the Los Angeles Branch zones.

I asked as to the position of the Directors of the Salt Lake City Branch, and whether the Directors of the Los Angeles Branch had formally favored the proposal. Mr. Earhart replied that the proposal had originated with the Los Angeles Directors, that they very definitely were in favor of the change, and had passed a resolution to that effect. As for the Salt Lake City Directors, they questioned somewhat the transfer of territory and activity from a smaller branch to a larger branch. They are somewhat reluctant to see part of their territory transferred. Summing up, Mr. Earhart said the Los Angeles Directors are strongly in favor, the Salt Lake City Directors somewhat reluctant to see the change made, and that the Head Office Directors, who include three from Southern California, voted to approve the change.

I then asked about the attitude of the bankers in the territory concerned. Mr. Earhart said that they had talked informally with representatives of the large branch banking organizations whose operations would be affected, but had not discussed the matter with the few independent banks. Mr. Earhart expressed the opinion that the Security First National of Los Angeles would strongly favor the change; that the Anglo-California National Bank of San Francisco, which has a branch at Bakersfield and no branch at present in the Los Angeles zone, would prefer not to have the change made, although perfectly willing to go along if that were the decision. The Bank of America has branches throughout the State, and an accounting office in Los Angeles as well as in San Francisco. The bank maintains its accounting records on the present Federal Reserve zone lines and if the change were made would, in all probability, make similar adjustments. The Bank of America indicated that the change itself would cause some temporary inconvenience, but indicated it also would raise no objection.

Mr. Earhart said that the change has become somewhat of an issue with the Los Angeles group who are interested in it primarily as a recognition of their trade territory.

He pointed out that regardless of whether the change is made the services to the banks concerned will continue to be rendered by either the Head Office or Los Angeles Branch, whichever arrangement would be most efficient, and that the formal transfer of territory would actually make no difference so far as operations are concerned.

In view of the small number of independent banks in the territory concerned, the fact that there would be no change in their services from the

FOR FILES
K. H. Fortunato

Reserve Bank, and the probability that some would say "no" and some "yes", Mr. Earhart suggested that it would probably be better not to raise the question with them but to advise them of the decision when it is made.

This memorandum was dictated in Mr. Earhart's presence, and he agreed that it represented his views.

Mr. C. E. Earhart, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Earhart:

Referring to your letter of July 19, 1954, the Board approves transfer to the Los Angeles Branch territory of the counties of Kern, Mono, and San Luis Obispo, California, from the San Francisco Head Office territory, and Clark County, Nevada, from the Salt Lake City Branch territory.

It will be appreciated if you will advise the Board of the effective date of this change as soon as it is determined.

Very truly yours,

S. R. Carpenter,
Secretary.

FOR FILES
K. H. Fortunato

REC'D IN FILES SECTION
SEP 29 1954
September 29, 1954

Board of Governors
Division of Bank Operations

Extension of Los Angeles Branch
territory boundaries.

This supplements our memorandum to the Board dated August 11, 1954 which summarizes the findings of the Federal Reserve Bank of San Francisco as result of the Bank's study of Twelfth District boundaries. These findings include a proposal to transfer to the Los Angeles Branch territory the California counties of Kern, Mono, and San Luis Obispo, now assigned to the Head Office, and Clark County in Nevada, which is now part of the Salt Lake City Branch territory.

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In light of the additional information now available, a revised draft of the letter to the Federal Reserve Bank of San Francisco is also attached. It is recommended that the Board approve the proposed transfer.

with arg

William M. Graham,
Analyst.

Sub
WMG:rb

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN FILES SECTION
OCT 13 1954
1227 (12)

Office Correspondence

Date September 29, 1954

To Board of Governors

Subject: Extension of Los Angeles Branch

From Division of Bank Operations

territory boundaries.

*My
Jant*

This supplements our memorandum to the Board dated August 11, 1954 which summarizes the findings of the Federal Reserve Bank of San Francisco as result of the Bank's study of Twelfth District boundaries. These findings include a proposal to transfer to the Los Angeles Branch territory the California counties of Kern, Mono, and San Luis Obispo, now assigned to the Head Office, and Clark County in Nevada, which is now part of the Salt Lake City Branch territory.

At the Board meeting on August 12, it was decided to defer action on this proposal until after discussion at a time when a full Board is available. Meanwhile, two points raised in the August 11 memorandum and mentioned in the then proposed letter to the San Francisco Bank have been clarified by Mr. Leonard's conversation with President Earhart while he was in Washington for the Presidents' Conference. One point concerns the views of the member banks affected; the other, the position of the Los Angeles and Salt Lake City directors. The attached memorandum from Mr. Leonard dated September 24, 1954 digests his conversation with President Earhart on this subject.

In light of the additional information now available, a revised draft of the letter to the Federal Reserve Bank of San Francisco is also attached. It is recommended that the Board approve the proposed transfer.

William M. Graham
William M. Graham,
Analyst.

*See minutes
10/4/54
Jant*

FOR FILES
K. H. Fortunato

SEP 24 1954

122.7 (12)

September 24, 1954

Files

Los Angeles Branch Territory

R. F. Leonard

(Signed) R. F. Leonard

When President Earhart was here for the Presidents' Conference I had the opportunity to talk with him briefly regarding the proposal for a change in the Los Angeles Branch zones.

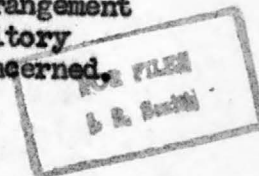
I asked as to the position of the Directors of the Salt Lake City Branch, and whether the Directors of the Los Angeles Branch had formally favored the proposal. Mr. Earhart replied that the proposal had originated with the Los Angeles Directors, that they very definitely were in favor of the change, and had passed a resolution to that effect. As for the Salt Lake City Directors, they questioned somewhat the transfer of territory and activity from a smaller branch to a larger branch. They are somewhat reluctant to see part of their territory transferred. Summing up, Mr. Earhart said the Los Angeles Directors are strongly in favor, the Salt Lake City Directors somewhat reluctant to see the change made, and that the Head Office Directors, who include three from Southern California, voted to approve the change.

I then asked about the attitude of the bankers in the territory concerned. Mr. Earhart said that they had talked informally with representatives of the large branch banking organizations whose operations would be affected, but had not discussed the matter with the few independent banks. Mr. Earhart expressed the opinion that the Security First National of Los Angeles would strongly favor the change; that the Anglo-California National Bank of San Francisco, which has a branch at Bakersfield and no branch at present in the Los Angeles zone, would prefer not to have the change made, although perfectly willing to go along if that were the decision. The Bank of America has branches throughout the State, and an accounting office in Los Angeles as well as in San Francisco. The bank maintains its accounting records on the present Federal Reserve zone lines and if the change were made would, in all probability, make similar adjustments. The Bank of America indicated that the change itself would cause some temporary inconvenience, but indicated it also would raise no objection.

Mr. Earhart said that the change has become somewhat of an issue with the Los Angeles group who are interested in it primarily as a recognition of their trade territory.

He pointed out that regardless of whether the change is made the services to the banks concerned will continue to be rendered by either the Head Office or Los Angeles Branch, whichever arrangement would be most efficient, and that the formal transfer of territory would actually make no difference so far as operations are concerned.

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In view of the small number of independent banks in the territory concerned, the fact that there would be no change in their services from the Reserve Bank, and the probability that some would say "no" and some "yes", Mr. Earhart suggested that it would probably be better not to raise the question with them but to advise them of the decision when it is made.

This memorandum was dictated in Mr. Earhart's presence, and he agreed that it represented his views.

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RFL:jbs

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN FILES SECTION

OCT 13 1954 *dh*

122.7 (12)

Date September 24, 1954

Office Correspondence

Files _____

Subject: Los Angeles Branch Territory

From R. F. Leonard

RFL

When President Earhart was here for the Presidents' Conference I had the opportunity to talk with him briefly regarding the proposal for a change in the Los Angeles Branch zones.

I asked as to the position of the Directors of the Salt Lake City Branch, and whether the Directors of the Los Angeles Branch had formally favored the proposal. Mr. Earhart replied that the proposal had originated with the Los Angeles Directors, that they very definitely were in favor of the change, and had passed a resolution to that effect. As for the Salt Lake City Directors, they questioned somewhat the transfer of territory and activity from a smaller branch to a larger branch. They are somewhat reluctant to see part of their territory transferred. Summing up, Mr. Earhart said the Los Angeles Directors are strongly in favor, the Salt Lake City Directors somewhat reluctant to see the change made, and that the Head Office Directors, who include three from Southern California, voted to approve the change.

I then asked about the attitude of the bankers in the territory concerned. Mr. Earhart said that they had talked informally with representatives of the large branch banking organizations whose operations would be affected, but had not discussed the matter with the few independent banks. Mr. Earhart expressed the opinion that the Security First National of Los Angeles would strongly favor the change; that the Anglo-California National Bank of San Francisco, which has a branch at Bakersfield and no branch at present in the Los Angeles zone, would prefer not to have the change made, although perfectly willing to go along if that were the decision. The Bank of America has branches throughout the State, and an accounting office in Los Angeles as well as in San Francisco. The bank maintains its accounting records on the present Federal Reserve zone lines and if the change were made would, in all probability, make similar adjustments. The Bank of America indicated that the change itself would cause some temporary inconvenience, but indicated it also would raise no objection.

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He pointed out that regardless of whether the change is made the services to the banks concerned will continue to be rendered by either the Head Office or Los Angeles Branch, whichever arrangement would be most efficient, and that the formal transfer of territory would actually make no difference so far as operations are concerned.

*See minutes
10/4/54
JLW*

In view of the small number of independent banks in the territory concerned, the fact that there would be no change in their services from the Reserve Bank, and the probability that some would say "no" and some "yes", Mr. Earhart suggested that it would probably be better not to raise the question with them but to advise them of the decision when it is made.

This memorandum was dictated in Mr. Earhart's presence, and he agreed that it represented his views.

REC'D IN FILES SECTION
OCT 18 1954
122. 7 (12)

August 17, 1954.

Dear Cecil:

This is just a note to let you know that action on the proposal to transfer certain counties to the Los Angeles Branch territory is being deferred until this, and perhaps other territorial questions, can be considered by the full Board.

Sincerely,

R. F. Leonard, Director,
Division of Bank Operations.

Mr. C. E. Earhart, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

RFL:jbs

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AUG 12 1954

122,7(12)

August 11, 1954.

Board of Governors

Extension of Los Angeles

Division of Bank Operations

Branch territory boundaries

Attached is a letter dated July 19, 1954, from President Earhart of the Federal Reserve Bank of San Francisco and an accompanying report concerning possible territorial changes in the Twelfth District. Mr. Earhart states that the San Francisco directors have voted, subject to approval by the Board of Governors, to transfer to the Los Angeles Branch territory the California counties of Kern, Mono, and San Luis Obispo, now assigned to the Head Office, and Clark County in Nevada which is now a part of the Salt Lake City Branch territory.

This recommendation is the result of a broad study which San Francisco made in response to the Board's general request that territorial boundaries in all Districts be reviewed with respect to a possible need for changes.

Previous material

During the past year Mr. Earhart has submitted two previous studies concerning the possibility of territorial changes in the Twelfth District.

See letter

On September 17, 1953, he forwarded a report to the Board outlining several changes which might deserve consideration. When forwarded, that report had not received the attention of the San Francisco directors. Among the possible changes mentioned in the report were the following: establishment of a branch in Phoenix, Arizona, which might serve all of that State; re-establishment of a branch in Spokane, Washington, which would serve eastern Washington and northern Idaho, and possibly western Montana; and, in lieu of additional branches, setting up currency depots or other "limited facilities."

With regard to these possibilities, the report forwarded with Mr. Earhart's September 17, 1953, letter pointed out the expense that would result from establishment of additional offices, and concluded that new branches could not be justified in any instance. It was stated that currency depots or other limited facilities were not recommended at this time since there appeared to be no pressing urge therefor. Mention was made in this report that the extension of branch-banking systems beyond entire Federal Reserve zones and the decline in relative importance of unit banks have lessened the need for local services from the Reserve Banks, and have perhaps also made specific zone boundaries of somewhat less importance.

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In a letter dated December 9, 1953, Mr. Earhart stated that the directors of the Los Angeles Branch had raised the question of extending the boundaries of the Los Angeles territory along lines similar to the present proposal. It was indicated that formal action on these changes was then deferred by the San Francisco directors until the Joint Committee on Check Collections made its report.

Mention was also made in the material submitted last December of the possibility of shifting northern Idaho counties from the Portland territory to the Seattle territory, and of transferring southeastern Arizona from the El Paso territory to the Los Angeles territory. It was stated, however, that there appeared to be no important reasons for these changes unless a complete revision of all district and zone lines were undertaken. (The present proposal indicates that the Seattle, Portland, and Salt Lake City directors feel that no changes are desirable at this time in the lines between their territories.)

Attached for the Board's convenience is a copy of a memorandum dated December 28, 1953, prepared by this Division, summarizing the salient information previously submitted regarding this proposal.

Mr. Earhart inquired in his letter of December 9, 1953, whether the Board had any views or suggestions in connection with the proposal. He was advised that the Board had no specific comments, but that it was important for all concerned to be alert to developments that would indicate the desirability of changes in boundary lines in order to serve better the needs of changing areas.

Present proposal

The pertinent facts in connection with the present proposal are as follows:

1. A broad study of zone lines in the Twelfth District was presented to the Bank and Branch directors at their joint meeting earlier this year. (A copy of this study is enclosed with Mr. Earhart's letter of July 19, 1954.)
2. This study states that the Branch directors at Seattle, Portland and Salt Lake City recommended that no changes be made in the lines between these territories.
3. The present proposal (to transfer Clark, Kern, San Luis Obispo and Mono counties to the Los Angeles territory) differs only from that outlined in the December report by the addition of Mono County to the proposal. In this connection, it is noteworthy that there are no banking points in Mono County. The change of Mono County is suggested

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largely because of transportation problems. The county is closer to San Francisco than to Los Angeles, but the most direct route to San Francisco (through Yosemite National Park) is closed during the winter months. The only open route then is via Carson City or Reno.

4. Mr. Earhart states that the proposed transfer of the four counties to the Los Angeles Branch territory is based primarily upon their relation to Los Angeles in terms of trade areas rather than upon any anticipated improvements in Reserve Bank services as result of these transfers.

5. With one exception, the member banks in the counties in question have not, up to the present time, been requested to express their views on the proposed transfers. The exception cited is the Bank of America N.T. & S.A. which when approached over six months ago in an informal conversation indicated no opposition would be forthcoming, though reluctance was expressed regarding the necessary changes in routing symbols and certain other matters. It has been customary for the Reserve Banks to obtain the views of the banks affected before final action on territorial changes is taken by the Board.

6. While there is evidence the Los Angeles directors are in favor of the proposal, the correspondence file contains no indication of the views of the Salt Lake City directors. Such a statement would seem desirable for the record.

Recommendation

If the member banks concerned are agreeable, there seems to be no reason for not approving the territorial changes recommended in Mr. Earhart's letter of July 19, 1954. Accordingly, it is recommended that the Federal Reserve Bank of San Francisco be advised that the Board is inclined to approve the proposed territorial changes if they are agreeable to the member banks concerned.

Attached is a suggested letter ^{10/6/54} to the Federal Reserve Bank of San Francisco indicating the Board's position with regard to this matter; and requesting (1) that the views of the banks concerned with the proposed changes be obtained, and (2) that the record be completed by a statement indicating the definite approval of the Los Angeles and Salt Lake City directors.

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Attachments

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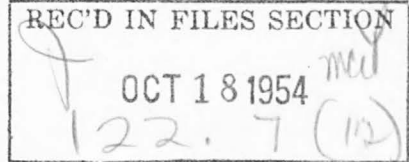
William H. Graham,
Analyst.

Mr. Leonard
Files

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO 20, CALIFORNIA

July 19, 1954



Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Sirs:

Our Board of Directors, at its July 7, 1954, meeting, voted, subject to the approval of the Board of Governors, to transfer to Los Angeles zone the counties of Kern, Mono, and San Luis Obispo, California, from the San Francisco zone, and Clark County, Nevada, from the Salt Lake City zone.

As suggested in our letter of December 9, 1953, and concurred in by the Board in its letter of January 8, 1954, action looking toward an extension of the boundaries of the Los Angeles zone was deferred until the Joint Committee on Check Collections made its report. Since that report contained nothing bearing on this question, it was presented to our directors at their last meeting.

Since the first of this year, some further study of possible changes in territories was made and presented to our branch and bank directors at our Annual Joint Meeting. A copy of the material presented for discussion at that meeting is enclosed. As indicated therein, our considerations reaffirmed our earlier conclusion that no other zone boundary changes were necessary or desirable.

In suggesting these changes, we pointed out to our directors that the transfer of these four counties to Los Angeles zone is based primarily upon their relation to Los Angeles in terms of trade areas rather than upon resulting improvements in services rendered by this bank to the banks in those counties. We expect to continue to send cash letters and shipments of coin and currency from whatever office or offices of this bank the best service will be afforded.

If the Board wishes any additional information, we shall be very glad to supply it. Otherwise, advice of the Board's approval of the proposed changes will be appreciated.

Yours very truly,

C. E. Earhart
C. E. Earhart,
President.

Enclosure.

FOR FILES K. H. Fortunato

REC'D IN FILES SECTION

OCT 18 1954

TWELFTH DISTRICT ZONE LINES *

The Twelfth Federal Reserve District covers an area of about 685,000 square miles, roughly about 25 per cent of the total area of the United States. In area, it is the largest of the twelve Reserve Districts. In number of offices, the San Francisco Reserve Bank is exceeded by no other Reserve Bank and is equalled only by Atlanta, also with five offices, which, in the aggregate, are not nearly as large as ours.

Since the early days of the System, it has been realized that, in establishing district and zone lines, the boundaries cannot be fixed so as to afford every member bank precisely the same benefits and facilities. Yet, this bank, even with its broad district area, has been able to afford most of its members, even though in outlying areas, about as efficient and effective services as member banks receive in smaller districts. A review of our files indicates that, to be sure that our member banks were receiving the best service available, on many occasions in the past years, studies were initiated within our offices to determine if changes in business flows or changes in transportation facilities would justify or require changes in zone lines. Our last such review was made in 1946, to determine if Kern County in California could be better served if it were to be assigned to the Los Angeles Zone instead of to the San Francisco Zone. That review developed the information that the volume of transactions between Kern County banks and our San Francisco and Los Angeles offices was about equal, and that there was no particular advantage, either way, in the mail schedules between Los Angeles-San Francisco and Kern County points. Consequently, no change was considered necessary in the zone lines of Los Angeles and San Francisco.

*For discussion at the Joint Meeting of Directors of the Federal Reserve Bank of San Francisco, April 7, 1954.

FOR FILES
K. H. Fortunato

In the latter part of 1953, a study was made to determine if there was need for additional Federal Reserve offices or facilities in the Twelfth District. Despite the tremendous growth of the area in recent years, the study indicated a need for additional facilities did not appear evident from a service point of view. Even though additional facilities were to be established, the cost of providing additional service to the limited number of banks which could benefit therefrom could not be justified. Regular mail dispatched by an office of this bank will reach its destination not later than noon on the day following dispatch at all but 33 banking points in the Twelfth District (see Exhibit "A"). Only one of those 33 points, Globe, Arizona, has a population in excess of 5,000, and none of the 33 points has more than two banking offices. It might be observed, in passing, that improvements in transportation and communication would permit almost as good service as that now received by many of our country member banks were we to have fewer offices than the five now in operation.

The Twelfth District is unique because of its widespread large branch banking organizations. Although there are over 2,000 banking offices in the district, there are only 257 member banks, and 240 nonmember banks. Branch banking development has affected our operations, particularly in check collections, as, because of inter-branch clearing accounting, branch banks not only clear their own "house" items but can offer earlier credit for cash items from correspondents, in some instances, than the Reserve Bank can provide. Our own efforts to speed up check collection and cash operations include a disregard of zone lines and office affiliations, if transactions can be expedited by so doing.

Inter-Zone Activities

Reviews have indicated that some transactions with certain points could be more advantageously handled by an office other than that with which

Inter-Zone Activities (Cont'd.)

the member bank is affiliated, and there has been no hesitation on the part of the Reserve Bank in taking advantage of such opportunity to give better service, even though that service may be confined to only one or two types of our operation. Such benefits may accrue to the terminal member bank, as in the case of cash shipments, or to other member banks, as in the case of check collections, through earlier presentation and collection or return of the items.

For example, where volume warrants, our Seattle office sends cash items to some banks in the Portland Zone. Seattle also ships coin and currency to a few branches of Seattle banks which are in the Portland Zone, at the request of the Seattle banks. Such shipments are not made in the interest of earlier delivery but purely for accounting convenience. Our Portland office sends cash letters directly to some banks in the Seattle Zone to reduce collection time. Our Salt Lake City office makes shipments of cash to banks in the Kansas City District. The Helena Branch of the Minneapolis Bank sends cash letters to banks in Spokane, and Spokane banks send coin to the Helena Branch for credit in their accounts at our Seattle office. Los Angeles sends checks and makes currency and coin shipments to a few points in the San Francisco and Salt Lake City Zones to expedite delivery.

Zone Changes in the Past

Over the years, areas have been shifted from one zone to another, when better service would result. This shift has involved counties, and even single cities such as Ilwaco, Washington, which is affiliated with Portland although the remainder of Pacific County is in the Seattle Zone. The cities of Klamath Falls, Lakeview, and Merrill, Oregon, were originally part of the Portland Zone, were transferred in 1920 to the San Francisco Zone, and were transferred back to Portland in 1937, as a result of changes in mail service.

Zone Changes in the Past (Cont'd.)

Attached hereto is Exhibit "B", showing the territory originally assigned to each office, and the changes which have been made since the office opened. It will be noted that the original territorial assignment of the Los Angeles and Salt Lake City Zones still exists today. At this time, there are only two areas about which any question has been raised as to zone assignment. (It should be noted that no question has been raised by any member bank in the areas under consideration.) One area consists of ten northern counties of Idaho and nine southern counties of Washington and the city of Ilwaco, now part of the Portland Zone. The other area consists of a few California counties in the southern part of the San Francisco Zone abutting the northern counties of the Los Angeles Zone, and Clark County, Nevada, which is presently in the Salt Lake City Zone.

The Idaho-Washington Area

There are 43 banking points in the Idaho-Washington area in the Portland Zone. Those points can either be reached more quickly from Portland than from Seattle, or the mail times are not significantly different between them and either Portland or Seattle. As part of our study, a few major commercial and industrial concerns were contacted by the Portland office to ascertain the flow of their business. A list of those firms, and the information developed from them, are attached as Exhibit "C". It will be observed that, for the most part, those firms serve about the same areas as does our Portland office--Oregon, northern Idaho, southern Washington. Preferential freight rates are available to the Portland distributors for shipments to those Washington counties served by our Portland office as far east as Walla Walla. For Washington counties east of Walla Walla, and those in the Idaho panhandle, freight rates are the same whether shipments are made from Seattle or Portland.

The Idaho-Washington Area (Cont'd.)

Contacts were made, also, by our Seattle office with Seattle offices of large organizations, and the information obtained from those firms is attached as Exhibit "D". None of those firms serves the entire State of Washington out of Seattle, and only two, Shell Oil Company and Columbia Steel Company, serve the northern part of Idaho out of Seattle.

A review of the flow of checks through this bank for three days was made for the banks in northern Idaho. The number and dollar amount of such items originating in the Portland Zone exceeded that of Seattle or Salt Lake City Zones for both the five northernmost counties and for the ten northern counties as a whole, which would seem to indicate that the area should remain with Portland. However, those checks originating in Portland did not exceed greatly the number from Seattle or Salt Lake City, and the volume of checks which Spokane and Boise banks cleared direct is not known. Spokane is the center of trade for much of northern Idaho and is affiliated with our Seattle office. There are 27 banking offices in the ten counties in northern Idaho, but of these only 12 are unit banks--four members and eight nonmembers. The branches are all of banks with head offices at Boise, which already are being served by two offices of this bank--Portland and Salt Lake City.

There have been no suggestions from the banks in the southern Washington and northern Idaho areas for a change in territorial affiliation, and both the Seattle and the Portland directors, after a review of the situation, have recommended no change be made.

The Salt Lake City directors have reviewed the question of zone line changes in the Idaho area, and also feel that the present allocation of territory as between Portland and Salt Lake City is the most advantageous and should not be changed.

Clark County, Nevada

Clark County, Nevada, is in the Salt Lake City Zone, but is also served by Los Angeles. Clark County, in effect, means Las Vegas, the primary business of which is gambling, with some industry at nearby Henderson, where a branch of a Las Vegas bank is situated. Clark County includes eight banking offices, of which three are branches of the First National Bank of Nevada, Reno, one is a nonmember bank, with four offices, all in Clark County, and one is a member bank. Were Clark County to be assigned to the Los Angeles Zone, the Reno bank would have branches in three zones--Salt Lake City, San Francisco, and Los Angeles--but it is in effect already dealing with three of our offices since, although its principal dealings are with San Francisco, its Las Vegas branches are receiving cash letters and coin and currency from both Salt Lake City and Los Angeles. While a substantial flow of business from Las Vegas goes to southern California, Salt Lake City wholesalers also do quite a business with Las Vegas merchants, and present mail schedules between Salt Lake City and Las Vegas are not greatly different than those between Los Angeles and Las Vegas, both being on an overnight basis, although Los Angeles is closer to Las Vegas than is Salt Lake City. A comparison of the flow of checks payable in Clark County is shown on Exhibit "E", and would indicate that much of the business transacted outside the county is with the Los Angeles area. This table also shows that a majority of the checks, both as to number and dollar amount, which offices of this bank forwarded to Clark County were received from banks outside both the Salt Lake City and Los Angeles Zones.

In view of the relative closeness to Los Angeles, which contributes much to the tourist business of the county and the larger volume of trade which flows toward Los Angeles, it could reasonably be assumed that the area has closer economic ties with Los Angeles than with Salt Lake City.

THE CALIFORNIA COUNTIES

The California counties of KERN, KINGS, MONO, SAN LUIS OBISPO, and TULARE, are in the San Francisco Zone, but are, for the most part, nearer Los Angeles than San Francisco. In those five counties are 49 banking offices, divided as follows:

- 32 branches of two San Francisco member banks
- 9 branches of one Los Angeles member bank
- 7 unit member banks
- 1 unit nonmember bank

National advertisers, in attempting to reach various markets, often rely on newspaper circulation as an indication of the area of influence of a particular center. The December, 1953, Monthly Summary of the Security-First National Bank of Los Angeles tabulated newspaper circulation by counties, which indicates that Los Angeles newspaper circulation exceeds that of the San Francisco-Oakland newspapers in each of the five counties in question. However, in Kings and Tulare Counties, the circulation of the "Fresno Bee" was larger than that of the Los Angeles and San Francisco-Oakland newspapers combined. The following table reflects the daily average circulation for six months ending March 31, 1953, in the five San Joaquin Valley Counties under discussion:

<u>County</u>	<u>San Francisco papers</u>	<u>Los Angeles papers</u>	<u>"Fresno Bee"</u>
Kern	412	18,907	1,914
Kings	300	788	4,661
Mono	-0-	177	--
San Luis Obispo	2,048	3,990	--
Tulare	656	4,771	12,653

The California Counties (Cont'd.)

Kings and Tulare Counties

There are 22 banking offices in Kings and Tulare Counties as follows:

- 12 branches of two San Francisco member banks
- 7 branches of one Los Angeles member bank
- 3 unit member banks
- 0 nonmember banks

A review of checks forwarded through our offices to banks in these two counties revealed that, on the average, the number and dollar amount of checks payable in Kings and Tulare Counties which were deposited with San Francisco Zone banks exceeded those received from all other sources. This information is shown on Exhibit "E(1)" and, to the extent it reflects the flow of trade, Kings and Tulare Counties are in the San Francisco trade area.

Information obtained from firms which maintain statewide marketing or administrative organizations indicates that Kings and Tulare Counties are served more frequently from Fresno than from any other metropolitan area, and those two counties, as far as economic ties are concerned, might more advantageously remain in the northern California area served by San Francisco. (See Exhibit "F".)

Other criteria considered included distances to Los Angeles and San Francisco via highway, air, and railroad, and the breaking points for freight rates to the two Reserve cities. Both these criteria place Kings and Tulare Counties in the Southern California area. Mail schedules reflect no consistent and substantial advantage either way, but shipments of coin and currency are already being made to points in those counties by whichever office of this bank can provide the better service.

Kern and San Luis Obispo Counties

There are 27 banking offices in Kern and San Luis Obispo Counties as follows:

20 branches of two San Francisco member banks

2 branches of one Los Angeles member bank

4 unit member banks

1 unit nonmember bank

Data furnished by firms which maintain statewide marketing or administrative organizations support the belief that Kern and San Luis Obispo Counties have somewhat closer business ties with Los Angeles than with San Francisco. (See Exhibit "F".)

A review of checks forwarded through our offices to banks in these two counties revealed that, on the average, the number and dollar amount of checks payable by Kern and San Luis Obispo County banks which were deposited with banks in Los Angeles Zone were greater than those deposited in banks in the San Francisco Zone. Kern and San Luis Obispo Counties can be considered to be in the Los Angeles trade area. However, as in the case of Kings and Tulare Counties, banks in Kern and San Luis Obispo Counties are now being served by whichever office of this bank can provide the best service.

Mono County

The study of newspaper circulation figures indicates that Los Angeles also enjoys more favor than San Francisco in Mono County. In addition, most of Mono County is more easily reached and is more accessible throughout the year from Los Angeles. The most direct route from San Francisco is through Yosemite National Park via Tioga Pass, but, as this route over the Sierra Nevada is closed several months of the year, travel to San Francisco during much of the year must be north via Carson City or Reno. Mono County could be shifted to the Los Angeles Zone if and when another change is made, although it is of no current significance since there are no banking points there.

Conclusion

Service provided by this bank should be the most important single factor in determining whether shifts in zone boundaries are necessary. It is our considered opinion that changes in present zone lines would not provide any better service to our member banks in the areas under consideration than they presently receive, as cash items and coin and currency are sent to and from offices of the Reserve Bank without regard to zone lines in an effort to provide maximum service.

Although several shifts have been considered, our studies lead us to believe that the only changes which might be justified in the near future would be to transfer Kern, Mono, and San Luis Obispo Counties, California, from the San Francisco Zone to the Los Angeles Zone, and Clark County, Nevada, from the Salt Lake City Zone to the Los Angeles Zone. If such changes should be proposed, it would not be on the assumption that improvement would result in the service rendered by this bank to the banks in the areas concerned, but, in view of the information which has been developed, only because the areas can be attached to Los Angeles rather than to San Francisco or Salt Lake City, on the basis of trade area. Such a change, if made, would cause some inconveniences such as the required changes in check-routing symbols and the changes in accounting arrangements which the banks in the areas would have to make, but these would be temporary and should not be burdensome. It should be kept in mind, too, that the banks in the counties included in this study have not, up to the present time, been requested to express their opinions. However, since the need for a change is not of great urgency (no member banks in these areas having made any suggestion or raised the question with us), it is planned to defer specific action until the report of the Joint Committee on Check Collections is available. That Committee, composed of representatives of the Federal Reserve System, the American Bankers' Association and the Association of Reserve City Bankers, has been

Conclusion (Cont'd.)

making an intensive study of the over-all problems of check collections, and its recommendations, which are expected in the near future, might conceivably have some bearing on the general question of regional check clearing arrangements. This deferment of a decision to relocate the Los Angeles Zone lines has been suggested to, and approved by, both the Los Angeles and the San Francisco directors.

The purpose of reporting at this meeting is to acquaint the directors of our various offices with our studies and give them the opportunity to ask questions or express their views.

REC'D IN FILES SECTION

BANKING POINTS WHICH DO NOT RECEIVE MAIL BY 12:00 NOON
THE DAY AFTER DISPATCH FROM AN OFFICE OF THIS BANK

OCT 18 1954

<u>City</u>	<u>Population</u>	<u>County</u>	<u>Type of Banking Office</u> (N) - Nonmember	<u>Time of Arrival</u>
<u>San Francisco Zone</u>				
<u>California</u>				
Alturas	2,914	Modoc	Branch	1:00 p.m.
Cedarville	850	Modoc	Branch	5:45 p.m.
Mendocino	1,000	Mendocino	Branch	4:00 p.m.
Point Arena	374	Mendocino	Branch	12:30 p.m.
Tulelake	927	Siskiyou	Branch	1:00 p.m.
<u>Nevada</u>				
Austin	400	Lander	Branch	1:30 p.m.
Eureka	700	Eureka	Branch	3:37 p.m.
<u>Los Angeles Zone</u>				
<u>California</u>				
Big Bear Lake	4,000	San Bernardino	Branch	12:50 p.m.
<u>Arizona</u>				
Clarkdale	2,000	Yavapai	Branch(N)	3:50 p.m.
Globe	9,000	Gila	Branch	1:00 p.m.
McNary	3,000	Apache	Unit(N)	12:15 p.m. (2nd day)
Miami	5,000	Gila	Branch	12:30 p.m.
<u>Portland Zone</u>				
<u>Idaho</u>				
Genesee	700	Latah	Branch	1:30 p.m.
Kellogg	4,913	Shoshone	Branch & Unit(N)	12:30 p.m.
Kendrick	600	Latah	Unit(N)	1:00 p.m.
Potlatch	900	Latah	Branch	12:11 p.m.

FOR FILES
K. H. Fortunato

<u>City</u>	<u>Population</u>	<u>County</u>	<u>Type of Banking Office</u> (N) - Nonmember	<u>Time of Arrival</u>
<u>Portland Zone (Cont'd)</u>				
<u>Idaho (Cont'd)</u>				
Troy	600	Latah	Unit(N)	12:30 p.m.
Wallace	4,000	Shoshone	Branch & Unit	1:00 p.m.
<u>Oregon</u>				
Brookings	1,700	Curry	Unit(N)	3:30 p.m.
Burns	2,566	Harney	Branch	12:20 p.m.
<u>Seattle Zone</u>				
<u>Washington</u>				
Almira	466	Lincoln	Branch	12:08 p.m.
Colton	207	Whitman	Unit(N)	12:30 p.m.
Endicott	500	Whitman	Unit(N)	8:29 p.m.
La Crosse	450	Whitman	Unit	8:56 p.m.
Oroville	1,600	Okanogan	Unit(N)	12:15 p.m.
Republic	922	Ferry	Unit(N)	3:00 p.m.
<u>Salt Lake City Zone</u>				
<u>Idaho</u>				
Challis	714	Custer	Unit	2:35 p.m.
Salmon	2,400	Lemhi	Branch	5:30 p.m.
<u>Nevada</u>				
Boulder	4,000	Clark	Branch(N)	2:30 p.m.
Elko	4,000	Elko	Branch(2)	12:23 p.m.
<u>Utah</u>				
Fillmore	2,000	Millard	Unit(N)	12:15 p.m.
Loa	600	Wayne	Unit(N)	2:30 p.m.
Monroe	1,295	Sevier	Unit(N)	1:50 p.m.

TERRITORY ASSIGNED TO BRANCHES OF
THE FEDERAL RESERVE BANK OF SAN FRANCISCO

REC'D IN FILES SECTION

OCT 18 1954

Los Angeles Branch (Opened January 2, 1920)

Original Territory: Arizona - the following counties:

Apache	Coconino	Gila	Maricopa	Mohave
Navajo	Pinal	Yavapai	Yuma	

California - the following counties:

Imperial	Orange	San Bernardino	Santa Barbara
Inyo	Riverside	San Diego	Ventura
Los Angeles			

No changes to March 1, 1954

Portland Branch (Opened October 1, 1917)

Original Territory: Oregon - Entire State

Changes: January 1, 1919 - Town of Vancouver, Washington, transferred from Seattle Branch

January 1, 1920 - Towns of Klamath Falls, Lakeview and Merrill, Oregon, transferred to Head Office. Counties of Clark, Cowlitz, Skamania and Wahkiakum, Washington, transferred from Seattle Branch, and Klickitat County, Washington, transferred from Spokane Branch.

September 13, 1924 - Town of Ilwaco, Washington, transferred from Seattle Branch

January 18, 1937 - Towns of Klamath Falls, Lakeview and Merrill, Oregon, transferred from Head Office.

October 1, 1938 - Counties of Asotin, Columbia, Garfield and Walla Walla, Washington, and counties of Benewah, Bonner, Boundary, Clearwater, Idaho, Kootenai, Latah, Lewis, Nez Perce and Shoshone, Idaho, transferred from Seattle Branch.

Territory - March 1, 1954: Oregon - Entire State

Idaho - the following counties:

Benewah	Boundary	Idaho	Lewis
Bonner	Clearwater	Kootenai	Nez Perce
		Latah	Shoshone

Portland Branch (Cont'd)

Washington - the following counties:

Asotin	Columbia	Garfield	Skamania
Clark	Cowlitz	Klickitat	Wahkiakum
			Walla Walla

and the town of Ilwaco.

Salt Lake City Branch (Opened April 1, 1918)

Original Territory: Utah - The entire State

Idaho - the following counties:

Ada	Butte	Franklin	Minidoka
Adams	Camas	Fremont	Oneida
Bannock	Canyon	Gem	Owyhee
Bear Lake	Caribou	Gooding	Payette
Bingham	Cassia	Jefferson	Power
Blaine	Clark	Jerome	Teton
Boise	Custer	Lemhi	Twin Falls
Bonneville	Elmore	Lincoln	Valley
		Madison	Washington

Nevada - the following counties:

Clark	Elko	Lincoln	White Pine
-------	------	---------	------------

No changes to March 1, 1954

Seattle Branch (Opened September 19, 1917)

Original Territory: Washington - the following counties:

Clallam	Jefferson	Pacific	Snohomish
Clark	King	Pierce	Thurston
Cowlitz	Kitsap	San Juan	Wahkiakum
Grays Harbor	Lewis	Skagit	Whatcom
Island	Mason	Skamania	

Changes: October 30, 1917 - Kittitas County, Washington, transferred from Spokane

January 1, 1919 - Town of Vancouver, Washington, transferred to Portland Branch.

January 1, 1920 - Counties of Clark, Cowlitz, Skamania and Wahkiakum, Washington, transferred to Portland Branch.

September 13, 1924 - Town of Ilwaco, Washington, transferred to Portland Branch.

Seattle Branch (Cont'd)

January 18, 1937 - The entire territory formerly served by Spokane Branch, except City of Spokane, Washington, transferred from Spokane Branch.

October 1, 1938 - Counties of Asotin, Columbia, Garfield and Walla Walla, Washington, and counties of Benewah, Bonner, Boundary, Clearwater, Idaho, Kootenai, Latah, Lewis, Nez Perce and Shoshone, Idaho, transferred to Portland Branch. City of Spokane, Washington, transferred from Spokane Branch.

Territory - March 1, 1954: Washington - entire State except:

The town of Ilwaco and the counties of Asotin, Clark, Columbia, Cowlitz, Garfield, Klickitat, Skamania, Wahkiakum, and Walla Walla, which are affiliated with Portland Branch.

Spokane Branch (Opened July 26, 1917)

Original Territory: Washington - the counties of:

Adams	Douglas	Kittitas	Spokane
Asotin	Ferry	Klickitat	Stevens
Benton	Franklin	Lincoln	Walla Walla
Chelan	Garfield	Okanogan	Whitman
Columbia	Grant	Pend Oreille	Yakima

Idaho - the counties of:

Benewah	Boundary	Idaho	Lewis
Bonner	Clearwater	Kootenai	Nez Perce
		Latah	Shoshone

Changes: October 30, 1917 - Kittitas County, Washington, transferred to Seattle Branch

January 1, 1920 - Klickitat County, Washington, transferred to Portland Branch.

January 18, 1937 - All the territory served by Spokane Branch, except Spokane, Washington, transferred to Seattle.

October 1, 1938 - City of Spokane, Washington, transferred to Seattle. Spokane Branch disestablished.

Territory - March 1, 1954 - Nonexistent.

TERRITORIAL DIVISIONS OF PORTLAND COMPANIES THAT SERVE THE NORTHWEST

Allis Chalmers Manufacturing Company	The Portland office of the firm serves Oregon and Washington, although a sub-branch located in Spokane, Washington also serves as a distribution point.
J. I. Case Company	Portland is the Northwest headquarters for this firm. Equipment is forwarded to the company's warehouse in Spokane, from which distribution is made to eastern Washington and northern Idaho.
Chevrolet Motor Division - General Motors Corporation	The Portland office includes Oregon, a part of northern Idaho and southern Washington counties in its operations.
International Harvester Company	Portland warehoused stocks are shipped direct to dealers in Oregon, southern Washington counties, and those located in the Yakima Valley in Washington. The company's Spokane branch serves the Idaho territory.
Montgomery Ward & Company	The Portland office of the company supplies its branches in Oregon, Washington, Idaho, Alaska, and part of Montana. A warehouse is maintained in Spokane, Washington from which heavy equipment may be obtained by customers in the Inland Empire region.
Westinghouse Electric Corporation	The Portland zone office of this company distributes to points in Oregon, north to Longview in Washington, and east to Goldendale on the Columbia River.
John Deere Plow Company	This firm maintains a warehouse in Spokane, Washington from which items are forwarded to dealers in eastern Washington and northern Idaho, and Portland serves as the central distribution point for the remainder of Washington and all of Oregon.
American Can Company	The Portland plant ships metal containers direct to customers in Oregon, southern Washington, Yakima, Walla Walla, and Spokane areas. Fiber milk containers are supplied to all of Oregon, Washington, and Idaho.

TERRITORIAL DIVISIONS OF PORTLAND COMPANIES THAT SERVE THE NORTHWEST
(Continued)

Continental Can Company

The company maintains a manufacturing plant in Walla Walla from which containers are distributed to southeastern Washington and Idaho. The firm supplies from Portland all beer cans for breweries located in Oregon and Washington.

Libby, McNeill and Libby

Wholesalers and chain stores in Oregon and north to Longview, Washington receive their supplies from Portland, but stocks destined for southeastern Washington and northern Idaho are distributed from Seattle.

TERRITORIAL DIVISIONS OF SEATTLE COMPANIES THAT SERVE THE NORTHWEST

Shell Oil Company

This company serves all of Washington out of its Seattle Office, except the area around Longview, and also serves out of Seattle the Idaho panhandle.

Standard Oil of California

The Seattle office serves Washington west of the Cascades, except the area around Longview, which is served out of the Portland office. The Spokane office serves all of Eastern Washington, including the panhandle of Idaho.

Columbia Steel Company

While the Portland office comes under the Seattle manager, the Portland office serves the so-called boundary counties in Washington. Idaho is divided three ways; the Portland office serves the lower section of the panhandle; the Seattle office serves the remainder of Washington and the panhandle of Idaho roughly described as Coeur d'Alene, Kellogg, Wallace and north; and Boise and south goes to the Salt Lake office.

W. P. Fuller and Company

The Seattle office serves Western Washington down to a point approximately half way between Tacoma and Portland, and eastward to Wenatchee. The Portland office serves the lower portion of Western Washington and includes the area in and around Walla Walla. The Yakima office handles the Yakima Valley down as far as Pasco and Kennewick; Spokane handles the remainder of Washington, including the panhandle of Idaho.

General Electric Company

The Seattle office handles Western Washington west of the Cascades, except in the southern portion in the counties of Wahkiakum, Cowlitz, Clark, Skamania, and Klickitat, which are served by the Portland office. The Spokane office has a sub-office at Wenatchee and Pasco, which serve the surrounding areas. Spokane, in addition to serving the eastern portion of the State, serves the 10 northern counties of Idaho.

FOR FILES
K. H. Fortunato

DAILY AVERAGE DOLLAR AMOUNT AND AVERAGE NUMBER OF ITEMS
SENT BY THIS BANK TO BANKS IN THE COUNTIES INDICATED
OCTOBER 26, 27, 28, 1953 ACCORDING TO THE SOURCE OF ITEMS

	<u>Dollar Amount</u>	<u>Per- cent</u>	<u>Number of Items</u>	<u>Per- cent</u>
<u>CLARK COUNTY, NEVADA</u>				
Salt Lake City zone	\$ 73,401	15	361	23
Los Angeles zone	159,483	33	245	16
Other districts and zones	<u>244,818</u>	<u>52</u>	<u>942</u>	<u>61</u>
Total	\$477,702	100	1,548	100

Independent Banks - 1 with total of 3 offices (nonmember)
Branch Banking offices - 2 with Head Office in Reno (San Francisco zone)

Since this report was compiled, a new member bank and two additional branch offices were opened in Clark County.

KERN COUNTY, CALIFORNIA

San Francisco zone	\$215,831	32	1,151	28
Los Angeles zone	328,920	49	1,515	37
Other districts and zones	<u>128,530</u>	<u>19</u>	<u>1,412</u>	<u>35</u>
Total	\$673,281	100	4,078	100

Independent Banks - 4 members, 1 nonmember
Branch banking offices - 13 with Head Offices (2) in San Francisco
Branch banking offices - 1 with Head Office in Los Angeles

SAN LUIS OBISPO COUNTY, CALIFORNIA

San Francisco zone	\$ 40,705	29	266	24
Los Angeles zone	75,265	55	439	40
Other districts and zones	<u>22,059</u>	<u>16</u>	<u>397</u>	<u>36</u>
Total	\$138,029	100	1,102	100

Independent Banks - None
Branch banking offices - 7 with Head Office in San Francisco
Branch banking offices - 1 with Head Office in Los Angeles

DAILY AVERAGE DOLLAR AMOUNT AND AVERAGE NUMBER OF ITEMS SENT
BY THIS BANK TO BANKS IN KINGS COUNTY AND TULARE COUNTY
ON JANUARY 12, 13 AND 14, 1954, ACCORDING TO SOURCE OF ITEMS

	<u>Dollar Amount</u>	<u>Per- cent</u>	<u>Number of Items</u>	<u>Per- cent</u>
<u>KINGS COUNTY</u>				
San Francisco zone	\$237,770	62	803	64
Los Angeles zone	120,220	31	250	20
Other districts & zones	<u>27,089</u>	<u>7</u>	<u>199</u>	<u>16</u>
Total	\$385,079	100	1,252	100

Independent Banks - 1 member bank

Branch Banking Offices - 4 with Head Offices (2) in San Francisco

Branch Banking Offices - 1 with Head Office in Los Angeles

TULARE COUNTY

San Francisco zone	\$353,734	67	1,779	62
Los Angeles zone	135,010	26	505	18
Other zones & districts	<u>35,312</u>	<u>7</u>	<u>564</u>	<u>20</u>
Total	\$524,056	100	2,848	100

Independent Banks - 2 member banks

Branch Banking Offices - 8 with Head Office in San Francisco

Branch Banking Offices - 6 with Head Office in Los Angeles

TERRITORIAL DIVISIONS OF COMPANIES THAT SERVE CALIFORNIA

Firestone Tire and Rubber Company
Nash Kelvinator Sales Corporation

Southern California Division includes our Los Angeles zone and the counties of San Luis Obispo, Kern, and Mono.

Kaiser Steel Company
Columbia Steel Company
Chevrolet Division, GMC

Southern California Division includes our Los Angeles zone and the counties of San Luis Obispo and Kern.

Ford Motor Company

Southern California Division includes our Los Angeles zone and the counties of Kern and Mono.

Union Oil Company

Southern California Division includes our Los Angeles zone and Kern County.

Shell Oil Company

Southern California Division includes our Los Angeles zone, a portion of Kern County east of Bakersfield, and Mono County.

Pontiac Division, GMC

Southern California Division includes that portion of the State south of a line through the counties of Monterey, Fresno, Kings, Tulare, and Inyo.

General Petroleum Company

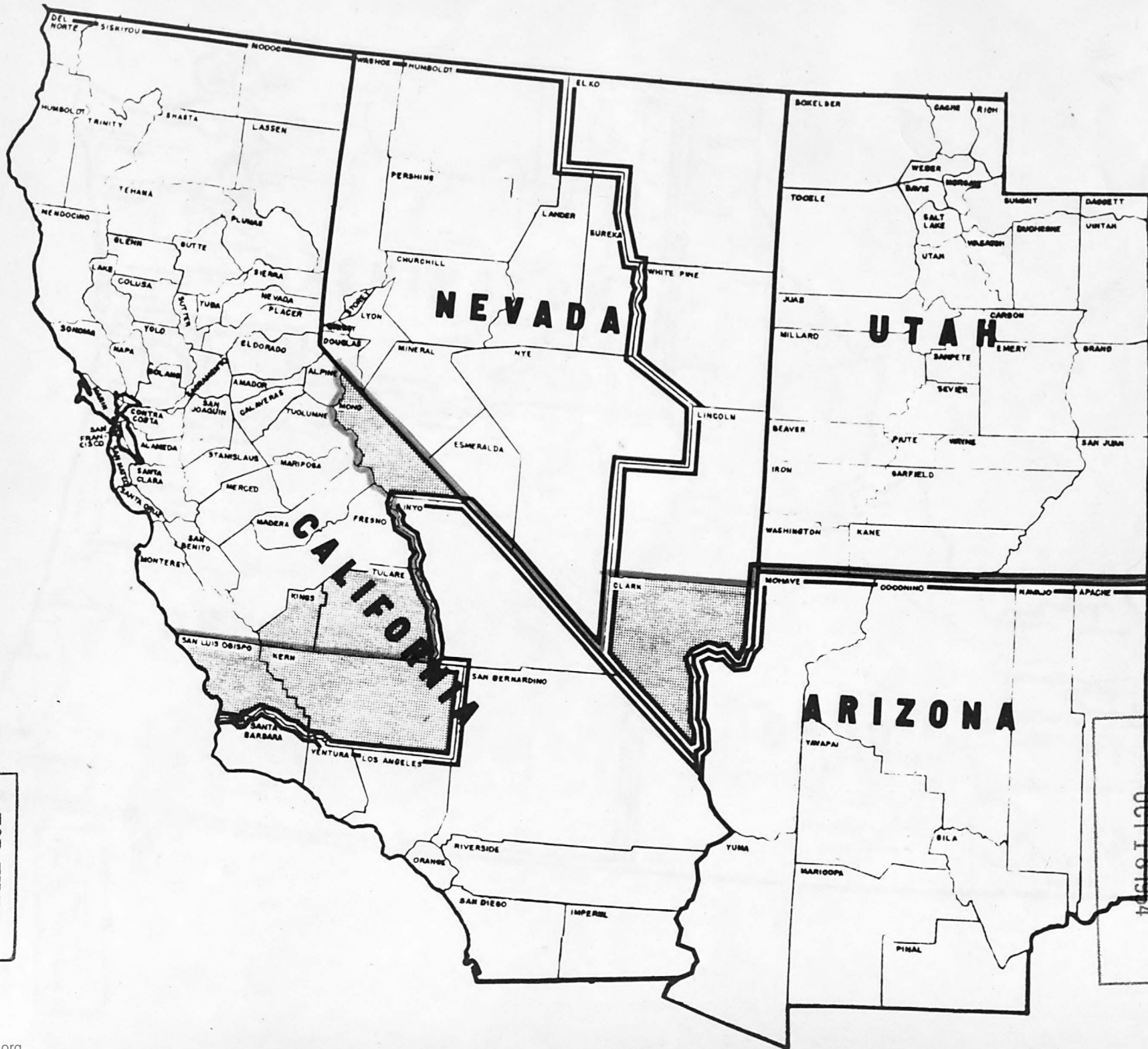
Southern California Division includes that portion of the State south of a line through San Luis Obispo County along the northern boundary of Kings County, and through Fresno and Inyo Counties.

Standard Oil Company

Southern California Division includes all our Los Angeles zone, the counties of San Luis Obispo, Kern, Mono, a large portion of Tulare, and small portions of Monterey and Kings Counties.

Tidewater Associated Oil Company

For acquisition and production of petroleum, Southern California Division is about the same as our Los Angeles zone, and for sales it includes in addition most of Kern County.



FOR FILES
K. H. Fortunato

REC'D IN FILES SECTION
OCT 18 1954



FOR FILES
K. H. Fortunate

FOR FILES
K. H. Fortunate

REC'D IN FILES SECTION
OCT 18 1954

REC'D IN FILES SECTION
JAN 20 1954
122.7 (12)

For information prior to consideration at a meeting of the Board.

JAN - 8 1954

Mr. C. E. Earhart, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Earhart:

This refers to your letter of December 9 concerning the question of extending the boundaries of the Los Angeles territory. The Board concurs in the feeling of your directors that it would be advisable to defer any action on this specific matter until after the Joint Committee on Check Collections has made its report. This proposal could then be reviewed along with other possible changes in a broader consideration of territorial changes in the Twelfth District.

Circulation
For Approval

- First to Gov.
- Gov. Szymczak
- Gov. Evans
- Gov. Vardaman
- Gov. Mills
- Gov. Robertson
- Chm. Martin

At this time the Board has no interim comments to offer with regard to this particular question, but wishes to emphasize the general observation. The Federal Reserve District lines were established around 40 years ago and most of the branch territories were established over 30 years ago. There have been relatively few changes in the original boundaries. In these circumstances, it is increasingly important that both the Federal Reserve Banks and the Board be alert to developments that would indicate the desirability of changes in boundary lines in order to serve better the needs of changing areas.

If you approve, please initial and return to Mr. Brennan

Very truly yours,

SEE ATTACHED MEMORANDUM

FROM: DIV. OF BANK OPS,
DATE: DECEMBER 28, 1953

(SIGNED) S. R. CARPENTER

S. R. Carpenter,
Secretary.

Approved
MINUTES ON
JAN - 8 1954

RF:pbi
1-4-54

FILE COPY

FOR FILES
D. K. Vigeant

REC'D IN FILES
JAN 5 1954
122.7(12)
December 28, 1953

Board of Governors
Division of Bank Operations

Extension of Los Angeles
Branch territory boundaries.

Attached is a letter dated December 9, 1953, from President Earhart of the Federal Reserve Bank of San Francisco and accompanying data discussing possible expansion of the Los Angeles Branch territory to include Kern and San Louis Obispo Counties, California, and Clark County, Nevada.

Kern and San Louis Obispo are adjacent counties in central California forming an area between Fresno and Los Angeles 90 miles wide by 180 miles from east to west. Bakersfield (pop. 35,000) is the largest city and is located near the center of this area. Clark County is in the southernmost tip of Nevada about 200 miles from Los Angeles. Las Vegas (pop. 25,000) is the most important city in Clark County.

In Kern County are 19 banking offices--13 are branch banks with head offices in San Francisco, one is branch bank with head office in Los Angeles, and five are independent banks. In San Louis Obispo County are eight banks; all are branch banks--seven with head offices in San Francisco and one with head office in Los Angeles. In Clark County are five banking offices; there are three branch banks with head office in Reno and the head office and one branch of the Bank of Nevada. The attached material includes lists identifying all the affected banking offices and their affiliations.

Population and deposit data for the affected counties, shown in accompanying report, indicate an increase of about five per cent in business volume at the Los Angeles Branch could be expected if the changes were made.

This matter was raised by the Los Angeles Branch directors after the recent study of Twelfth District boundaries was forwarded to the Board on September 17, 1953. Although no formal recommendation is mentioned, Mr. Earhart reports that the Los Angeles directors appear to favor the change. The San Francisco directors have deferred action until after the Joint Committee on Check Collections has made its report. Mr. Earhart states that in the interim his Bank would be glad to have any views which the Board may hold or any suggestions it may care to offer.

The Bank emphasizes that there is no urgent need for the territorial shifts mentioned. The general position of the Bank continues to be that direct shipment across territorial lines can and should be made where distinct improvements in service will result, so that the question of specific boundaries is not, of and by itself, of great significance. Another condition which relieves the official

FILE COPY

FOR FILES
J. B. Smith

territorial assignment of these counties of any pressing need for change is the marginal nature of the relationship of these banking points with Los Angeles as opposed to San Francisco or Salt Lake City. In terms of distance, transportation, commercial ties, and the amount of traffic in Reserve Bank business, there is evidence that these three counties are only moderately more closely associated with Los Angeles than with the offices to which they are currently assigned.

We note that more complete data would seem necessary to a final decision on these transfers. This is particularly true regarding commercial ties of the areas involved and sentiments of bankers affected by the proposal. Only one bank (Bank of America N.T. & S.A.) has been approached so far; an informal conversation indicated no opposition from this quarter though reluctance was expressed regarding changes in routing symbols.

Two reasons for not making changes such as the ones in question are given special mention. Though admittedly subordinate to other considerations, it can be inferred that these deterrents take on weight in marginal cases where there is no compelling need for a change, such as the one at hand. One of these deterrents is that a large number of forms would be made obsolete by a shift in territory. In this respect routing symbols on checks are an important item since considerable time might elapse before all checks would be marked with the new territorial code. The second is that a number of local interests may be encouraged to press for other territorial changes which would not otherwise arise. Since such pressures may be primarily instigated by civic pride or other considerations not directly related to the goal of efficient service by the Federal Reserve System, it might be prudent not to upset the status quo.

In connection with other changes that might be provoked by any realignment, Mr. Earhart mentions that some sources might suggest the following: the shift of five northern Idaho counties from Portland to Seattle, the inclusion of western Montana in the Seattle territory, and the inclusion of southeastern Arizona in the Los Angeles territory. It is indicated that the Bank has had no recent requests for changes in the Seattle territory and is not aware of any pressure for such changes. With regard to the Arizona situation, the suggestion was made some time ago that the entire State should be included in the Twelfth District, and that if the Reserve Bank was favorable, Arizona interests would promote the change. At that time, however, assurance was given that the service was adequate under present arrangements; accordingly, San Francisco counseled against promoting the change, and the matter was dropped.

1/6/54
Attached is a proposed letter to the Federal Reserve Bank of San Francisco indicating that the Board concurs in the feeling of the Bank's directors that it would be advisable to defer action on possible changes in the Los Angeles territory until after the Joint Committee on Check Collections has made its report.

FILE COPY

Attachments

WMG:pbi
12-28-53

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN FILES SECTION
JAN 20 1954
122-7 (12)

Office Correspondence

Date December 28, 1953 *sh*

To Board of Governors

Subject: Extension of Los Angeles

From *AK* Division of Bank Operations

Branch territory boundaries.

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The Bank emphasizes that there is no urgent need for the territorial shifts mentioned. The general position of the Bank continues to be that direct shipment across territorial lines can and should be made where distinct improvements in service will result, so that the question of specific boundaries is not, of and by itself, of great significance. Another condition which relieves the official

FOR FILES
D. K. Vigeant

territorial assignment of these counties of any pressing need for change is the marginal nature of the relationship of these banking points with Los Angeles as opposed to San Francisco or Salt Lake City. In terms of distance, transportation, commercial ties, and the amount of traffic in Reserve Bank business, there is evidence that these three counties are only moderately more closely associated with Los Angeles than with the offices to which they are currently assigned.

We note that more complete data would seem necessary to a final decision on these transfers. This is particularly true regarding commercial ties of the areas involved and sentiments of bankers affected by the proposal. Only one bank (Bank of America N.T. & S.A.) has been approached so far; an informal conversation indicated no opposition from this quarter though reluctance was expressed regarding changes in routing symbols.

Two reasons for not making changes such as the ones in question are given special mention. Though admittedly subordinate to other considerations, it can be inferred that these deterrents take on weight in marginal cases where there is no compelling need for a change, such as the one at hand. One of these deterrents is that a large number of forms would be made obsolete by a shift in territory. In this respect routing symbols on checks are an important item since considerable time might elapse before all checks would be marked with the new territorial code. The second is that a number of local interests may be encouraged to press for other territorial changes which would not otherwise arise. Since such pressures may be primarily instigated by civic pride or other considerations not directly related to the goal of efficient service by the Federal Reserve System, it might be prudent not to upset the status quo.

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Attached is a proposed letter to the Federal Reserve Bank of San Francisco indicating that the Board concurs in the feeling of the Bank's directors that it would be advisable to defer action on possible changes in the Los Angeles territory until after the Joint Committee on Check Collections has made its report.

Attachments

Walter M. Earhart

M. Reynolds

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO 20, CALIFORNIA

December 9, 1953

M. Reynolds

REC'D IN FILES SECTION
JAN 20 1954
122.7 (12)

ju

AIR MAIL

Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Sirs:

Recently, the directors of our Los Angeles Branch raised the question of extending the boundaries of Los Angeles Zone. Since this subject was broached after our report of September 15 was sent to you with our letter of September 17, and in view of the Board's letter of December 1 to the Chairman of the Conference of Presidents, we are enclosing two memoranda on the subject of the inclusion of Kern and San Luis Obispo Counties, California, and Clark County, Nevada, in the Los Angeles Zone.

filed 324. 12/14/53

As indicated in these memoranda, we do not believe there are urgent reasons for a formal change in zone boundaries, even though these counties have grown to be somewhat more closely identified with Los Angeles than with San Francisco or than, in the case of Clark County, with Salt Lake City. (The banks in the three counties under consideration apparently are not suggesting this change, except for the Los Angeles bank that has a branch in Kern County and one in San Luis Obispo County.) On the other hand, we recognize that the reasons for not making this change are hardly fundamental, since it would involve only temporary, although rather significant, inconvenience with respect to such factors as changes in check routing symbols, circulars, and maps, and in branch bank accounting arrangements.

Nevertheless, any one change might stimulate area pride and promotion and lead to other requests over the country, and it would appear desirable to minimize the problem of altering maps and other boundary listings by making more or less simultaneously whatever changes might be decided upon. No other suggestions for zone boundary changes have recently been made in this district, although a request to shift northern Idaho counties from the Portland Zone to the Seattle Zone might be provoked by a realignment elsewhere. If it were known that changes in district boundaries were also under consideration, the inclusion of western Montana as well as northern Idaho in our Seattle Zone and southeastern Arizona in our Los Angeles Zone might possibly be suggested by some sources. There appear to be no important reasons for these changes, however, unless a complete revision of all district and zone lines were undertaken. (A brief memorandum regarding northern Idaho and southeastern Arizona is attached.)

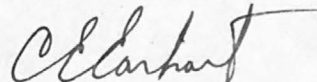
FOR FILES
D. K. Vigeant

Board of Governors of the Federal Reserve System--2

Our general position continues to be that direct shipments across zone or district lines can and should be made where distinct improvements in service will result, so that the question of particular boundaries is not, of and by itself, of great significance. For example, on December 1 our Los Angeles Branch began sending cash letters directly to all banking offices in Kern and San Luis Obispo Counties, California, and Clark County, Nevada.

Although our Los Angeles directors appear to favor the change in boundary in order to recognize the dominance of Los Angeles in the trade of these counties, our San Francisco directors have deferred action until after the Joint Committee on Check Collections has made its report. In the interim, we should be glad to have any views which you may hold or suggestions you may care to offer.

Yours very truly,



C. E. Earhart,
President.

Enclosures (3)

November 12, 1953

RECORDED IN FILES SECTION

JAN 20 1954

QUESTION OF EXTENSION OF LOS ANGELES ZONE BOUNDARIES TO INCLUDE
KERN AND SAN LUIS OBISPO COUNTIES, CALIFORNIA,
AND CLARK COUNTY, NEVADA

Such a shift would involve a transfer to Los Angeles Zone of territory including 3% of the bank deposits and 6% of the population now in the San Francisco Zone and 5% of the bank deposits and 4% of the population in the Salt Lake City Zone. It would mean a 4% increase in bank deposits and a 5% increase in population in the Los Angeles Zone.

	Deposits June 30, 1952 <u>(millions)</u>	Population 1950 <u>(thousands)</u>
Kern County	197	228
San Luis Obispo County	51	51
Clark County	50	48
San Francisco Zone	8,155	5,009
Salt Lake City Zone	1,056	1,209
Los Angeles Zone	7,413	6,206

In terms of geographical location and general trade and business relations, these counties may be somewhat more closely identified with Los Angeles than with San Francisco or Salt Lake City. Further, it seems reasonable to expect that their relations with the Los Angeles area will increase, relative to San Francisco or Salt Lake City. To change established zone boundaries, however, has no particular significance, except possibly to regional pride, unless anticipated improvements in service are expected to outweigh any disadvantages involved in the disturbance of existing arrangements and relationships.^{1/}

^{1/} This question, in regard to Kern County, arose in early 1946. At that time, it was concluded, "In view of the nearly parallel mail service from either point and the almost equal amount of transit items, it would appear that the only advantage would be the geographical proximity to Los Angeles. This point does not in itself seem to be of sufficient importance to offset the disrupting of present arrangements." Assuming the extremely limited sample of three days' transit items through this bank was representative both in 1946 and 1953, the balance has tipped somewhat toward Los Angeles since 1946, but further investigation would be necessary to establish this more definitely.

FOR FILES
D. K. Vigeant

Coin and currency shipments

Coin and currency shipments to and from points in these three counties are already being handled by whichever office of this bank affords most rapid and convenient delivery.

Cash letters

Cash letters are being sent direct by Los Angeles Branch to one banking office in Las Vegas and to Bakersfield. Direct sending by Los Angeles might be extended, even without any change in zone boundaries or routing symbols, to certain other points in Kern and San Luis Obispo Counties, such as Mojave, Taft, and San Luis Obispo.

Dual routing

Where there is a significant volume of items to be sent to a banking point from both zones, the use of a special routing symbol may offer some advantages in routing of cash items, but it also complicates the sorting process. (Currently, St. Louis uses 5 such symbols, one of which allows optional routing to three offices: Chicago, 2; and Kansas City, 2.) In the next to last figure of the routing symbol, 6 to 9 are reserved for special collection arrangements, so that for items drawn on California banks to be routed through either Los Angeles or San Francisco, the symbol could be 1261; for items drawn on Nevada (Las Vegas) banks to be routed through either Los Angeles or Salt Lake City, the symbol could be 1262.

Other activities

With respect to fiscal agency matters, redemption of savings bonds, and other operations conducted by this bank related to member bank activities, the question of zone boundaries would make no significant difference either to this bank or to the banking offices in the counties concerned.

Changes in zone boundaries and their relation to branch banks

To change formal zone boundaries, in and of themselves, has no particular significance apart from such factors as changes in check routing symbols and changes in branch bank territorial arrangements.

The Bank of America N. T. & S. A. would be the bank principally affected by any shift of Kern or San Luis Obispo Counties. Informal conversation with Mr. Everard, Assistant to the President of the Bank of America, brought out these points: (1) There would presumably be no objection to additional Bank of America branches receiving two cash letters, one from San Francisco and one from Los Angeles. (2) A change in our zone boundaries would probably mean that that bank would change its territorial divisions. This would cause no great difficulty accounting-wise, but might have some undesirable aspects so far as their loan supervision and the like are concerned. He preferred not to express a definite opinion on this point at this time, however. (3) He would be inclined to approach changes in routing symbols reluctantly, in view of the difficulties encountered in establishing their use.

The matter has not been discussed with the Anglo California National Bank or the First National Bank of Nevada, but it should be noted that to move Clark County to the Los Angeles Zone would mean that the First National Bank of Nevada would then have branches in three zones, San Francisco, Salt Lake City, and Los Angeles.

Summary

For the three days, October 26, 27 and 28, the number and amount of items received by this bank from Los Angeles banks exceeded those from San Francisco or Salt Lake City for the three counties concerned (although not for every town in Kern County), except that a larger number, but smaller dollar amount, of Clark County items were received from Salt Lake City than from Los Angeles banks.

In Kern County, in addition to 5 unit banks there are 13 branches of banks with head offices in San Francisco as against one with head office in Los Angeles. In San Luis Obispo County there are no unit banks, and the branch bank score is 7 for San Francisco and one for Los Angeles. In Clark County, there

is one bank with head office in Las Vegas (3 offices) and two branches of a bank with head office in Reno (San Francisco Zone).

The principal arguments against such a shift rest, primarily, upon the significant but presumably temporary problems that would be created by the related changes in routing symbols and by the related internal changes in territorial divisions in the branch banks affected. With respect to this bank's operations, there are two factors that currently would suggest delay in changing zone boundaries. One is the current work of the Check Collection Committee, since its report, when issued, may contain some suggestions in regard to check routing arrangements in general. The second and more specific factor is the fact that our Los Angeles office is crowded and could handle the additional volume that would result from an enlargement of its zone much more readily when the addition to its building, now in process, is completed.

On the other hand, the arguments for such a shift, based on "present trade and banking practices" do not appear important or compelling, particularly since no better service would be rendered to the counties in question. It would be desirable, however, with no change in zone boundaries or routing symbols, to give consideration to having Los Angeles send cash letters direct to additional banking offices in those counties. In addition, the possibility of designating some, if not all, points in those counties as points of optional routing through Los Angeles or San Francisco (or Salt Lake City in the case of Clark County) might be further investigated, whether or not zone boundaries were changed.

JAN 20 1954

KERN AND SAN LUIS OBISPO COUNTIES, CALIFORNIA

Banking offices

Kern County has 13 banking points, including one banking facility at China Lake. Banking offices in the County include five unit banks; 13 branches of banks with head offices in San Francisco, i.e. the Bank of America, N. T. & S.A. (10 branches), and the Anglo California National Bank (3 branches); and one office of the Security-First National Bank of Los Angeles.

San Luis Obispo County has 7 banking points, with all offices being branches, including 7 Bank of America branches and one Security-First National branch.

Lists of banking offices in the two counties are attached.

Relations with other banks

The unit banks in Kern County list correspondents in both San Francisco and Los Angeles, except for the Bank of Tehachapi, which lists the Bank of America, Bakersfield, as its only California correspondent. The Bank of Tehachapi and the First National Bank in Delano are Transamerica banks.

Location

Bakersfield is 290 miles from San Francisco and 110 miles from Los Angeles; San Luis Obispo is some 200 miles from each point. There is overnight mail service from both San Francisco and Los Angeles, with service possibly a little better from Los Angeles to some Kern County points, particularly with respect to coin and currency shipments.

Cash items handled by this bank

Currently, Los Angeles sends cash letters direct to Bakersfield offices of all three branch banks, but does not send direct to other Kern County points or to any San Luis Obispo points.

FOR FILES
D. K. Vigeant

For the three days, October 26, 27, and 28, daily averages of items sent to banks in these counties were as follows:

<u>KERN COUNTY</u>				
	<u>Number of items</u>	<u>Amount (thousands of dollars)</u>	<u>Percent of total</u>	
			<u>Number</u>	<u>Amount</u>
Items received from L.A. Zone banks				
Sent by San Francisco	889	192	22	28
Sent by Los Angeles ^{1/}	<u>626</u>	<u>146</u>	<u>15</u>	<u>21</u>
Total	1,515	338	37	49
Items received from S.F. Zone banks	1,151	216	28	32
Items received from other zones and districts	<u>1,412</u>	<u>128</u>	<u>35</u>	<u>19</u>
Total	4,078	682	100	100

^{1/} Los Angeles sends to Bakersfield banking offices only.

SAN LUIS OBISPO COUNTY

	<u>Number of items</u>	<u>Amount (thousands of dollars)</u>	<u>Percent of total</u>	
			<u>Number</u>	<u>Amount</u>
Items received from L.A. Zone banks	439	75	40	55
Items received from S.F. Zone banks	266	41	24	29
Items received from other zones and districts	<u>397</u>	<u>22</u>	<u>36</u>	<u>16</u>
Total	1,102	138	100	100

Los Angeles Zone items exceeded San Francisco Zone items in both number and amount at every banking point, as well as in total, in San Luis Obispo County. The picture was slightly more mixed in Kern County. Items from San Francisco exceeded items from Los Angeles for Delano, McFarland and Buttonwillow. However, Taft, Wasco, Oildale, Arvin, Mojave and Tehachapi, as well as Bakersfield, reflected a definite preponderance of items deposited with Los Angeles Zone banks.

Coin and currency shipments

Coin and currency is shipped to Delano, McFarland and Bakersfield in Kern County (and ten other valley points outside Kern County as far north as Fresno) from Los Angeles. Los Angeles also ships to San Luis Obispo and Arroyo Grande in San Luis Obispo County.

CLARK COUNTY, NEVADA

Banking offices

Clark County includes two banking points, Las Vegas and Boulder City, with two banks and five banking offices. In Las Vegas there are two branches of the First National Bank of Nevada (Reno) and the head office and one branch of the Bank of Nevada. In Boulder City is a branch of the Bank of Nevada.

Relations with other banks

The Bank of Nevada lists its Twelfth District correspondents as the Bank of America N. T. & S. A., and the First National Bank of Nevada; it apparently has no Salt Lake City correspondents. Both the Bank of Nevada and the First National are Transamerica banks.

Cash items handled by this bank

Currently, Los Angeles sends cash letters direct to the Las Vegas branch of the First National, but forwards items drawn on the South Fifth Street Branch of the First National and on the Bank of Nevada to Salt Lake City. (The majority of the items received by Salt Lake City from banks in the Los Angeles Zone are sent direct by the Security-First National Bank of Los Angeles.)

For the three days, October 26, 27, and 28, the daily average of items sent to banks in Clark County, Nevada, were as follows:

	<u>Number of items</u>	<u>Amount (thousands of dollars)</u>	<u>Percent of total</u>	
			<u>Number</u>	<u>Amount</u>
Items received from L.A. Zone banks				
Sent by Salt Lake City	195	146	13	30
Sent by Los Angeles	<u>50</u>	<u>13</u>	<u>3</u>	<u>3</u>
Total	245	159	16	33
Items received from S.L.C. Zone banks	361	73	23	15
Items received from other zones and districts	<u>942</u>	<u>244</u>	<u>61</u>	<u>52</u>
Total	1,548	478	100	100

Coin and currency shipments

Coin and currency is shipped to Las Vegas from Los Angeles, but coin and currency is returned to Salt Lake City from Las Vegas, except for \$50 bills, which are returned to Los Angeles because of excess accumulation at Salt Lake City.

Location

There is overnight mail service to Las Vegas from both Los Angeles and Salt Lake City, but for coin and currency shipments, mail schedules apparently favor Los Angeles.

Las Vegas is about 250 miles from Los Angeles and 450 miles from Salt Lake City.

BANKING OFFICES IN SAN LUIS OBISPO AND KERN COUNTIES, CALIFORNIA

REC'D IN FILES SECTION

JAN 20 1954

SAN LUIS OBISPO COUNTY, CALIFORNIA

Independent banks - None
Branch banks - 7 with head office in San Francisco
Branch bank - 1 with head office in Los Angeles

Branch banks - head office in San Francisco

Arroyo Grande, California	Arroyo Grande Branch Bank of America N. T. & S. A.
Atascadero, California	Atascadero Branch Bank of America N. T. & S. A.
Cambria, California	Cambria Branch Bank of America N. T. & S. A.
Morro Bay, California	Morro Bay Branch Bank of America N. T. & S. A.
Paso Robles, California	Paso Robles Branch Bank of America N. T. & S. A.
Pismo Beach, California	Pismo Beach Branch Bank of America N. T. & S. A.
San Luis Obispo, California	San Luis Obispo Branch Bank of America N. T. & S. A.

Branch bank - head office in Los Angeles

San Luis Obispo, California	San Luis Obispo Branch, Security-First National Bank of Los Angeles.
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JAN 20 1954

KERN COUNTY, CALIFORNIA

Independent banks	-	5
Branch banks	-	13 with head offices in San Francisco
Branch banks	-	1 with head office in Los Angeles

Independent banks:

✓ Delano, California	First National Bank in Delano
✓ Greenfield, California	Greenfield State Bank
✓ McFarland, California	First National Bank in McFarland
✓ Tehachapi, California	Bank of Tehachapi
✓ Buttonwillow, California	Buttonwillow National Bank

Branch banks - head office in San Francisco:

✓ Arvin, California	Arvin Branch, Bank of America N.T. & S.A.
✓ Bakersfield, California	Bakersfield Office, The Anglo California National Bank
	East Bakersfield Office The Anglo California National Bank
	Bakersfield Branch, Bank of America N.T. & S.A.
	Bakersfield-Westchester Branch Bank of America N.T. & S. A.
	East Bakersfield Branch, Bank of America N.T. & S.A.
✓ China Lake, California	Bank of America N.T. & S.A. U. S. Naval Ordnance Test Station Facility
✓ Mojave, California	Mojave Branch, Bank of America N.T. & S.A.
✓ Oildale, California	Oildale Branch Office The Anglo California National Bank
	Oildale Branch, Bank of America N.T. & S.A.
✓ Shafter , California	Shafter Branch, Bank of America N.T. & S.A.
✓ Taft, California	Taft Branch Office The Anglo California National Bank
	Taft Branch, Bank of America N.T. & S.A.
✓ Wasco, California	Wasco Branch, Bank of America N.T. & S.A.

Branch bank - head office in Los Angeles:

✓ Bakersfield, California	Bakersfield Branch, Security-First National Bank of Los Angeles
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CASH ITEMS SENT BY THIS BANK TO BANKS IN KERN, SAN LUIS OBISPO, AND
CLARK COUNTIES, DISTRIBUTED BY SOURCE FROM WHICH RECEIVED
OCTOBER 26, 27, AND 28, 1953 *

Percent distribution of items received from banks
in San Francisco or Salt Lake City, Los Angeles
and other zones and districts.

Daily average of items received from all sources

		N u m b e r			A m o u n t		
		San	Los	Other	San	Los	Other
<u>Number</u>	<u>Amount</u>	<u>Francisco</u>	<u>Angeles</u>	<u>Other</u>	<u>Francisco</u>	<u>Angeles</u>	<u>Other</u>

(thousands)

Kern County

Arvin	97	19	15	59	26	27	64	9
Bakersfield	1,814	335	16	41	43	27	48	25
Buttonwillow	144	15	76	17	7	88	10	2
Delano	570	100	59	26	15	51	43	6
Greenfield	25	5	16	68	16	8	87	5
McFarland	192	15	65	23	12	71	24	5
Mojave	313	37	20	41	39	19	72	9
Oildale	188	44	14	43	43	13	71	16
Shafter	209	36	24	26	50	38	19	43
Taft	268	31	17	38	45	30	53	17
Tehachapi	156	21	37	51	12	34	58	8
Wasco	<u>102</u>	<u>24</u>	<u>25</u>	<u>45</u>	<u>30</u>	<u>18</u>	<u>76</u>	<u>6</u>
Total	4,078	682	28	37	35	32	49	19

San Luis Obispo County

Arroyo Grande	86	9	16	55	29	20	71	9
Atascadero	119	14	19	45	36	35	42	23
Cambria	24	1	25	45	30	12	60	28
Morro Bay	102	11	28	44	28	36	49	15
Paso Robles	264	32	23	43	34	26	62	12
Pismo Beach	60	8	18	57	25	13	82	5
San Luis Obispo	<u>447</u>	<u>63</u>	<u>27</u>	<u>31</u>	<u>42</u>	<u>33</u>	<u>49</u>	<u>18</u>
Total	1,102	138	24	40	36	29	55	16

Salt Lake
City

Salt Lake
City

Clark County

Boulder City	132	9	19	19	62	20	46	34
Las Vegas	<u>1,416</u>	<u>469</u>	<u>24</u>	<u>15</u>	<u>61</u>	<u>15</u>	<u>33</u>	<u>52</u>
Total	1,548	478	23	16	61	15	33	52

* It should be noted that the period covered, October 26, 27, and 28, is a relatively light time of the month for transit items. A complete check for another period has not been made, but on November 9, 10, and 11, Los Angeles sent direct one-third more items, of double the dollar amount, to Bakersfield, and 50 percent more items, of three times the dollar amount, to Las Vegas, than were sent from October 26 through October 28.

December 8, 1953

REC'D IN FILES SECTION

SUPPLEMENT TO MEMORANDUM PREPARED NOVEMBER 12, 1953, REGARDING AN 201954
QUESTION OF EXTENSION OF LOS ANGELES ZONE BOUNDARIES TO INCLUDE
KERN AND SAN LUIS OBISPO COUNTIES, CALIFORNIA,
AND CLARK COUNTY, NEVADA

It may be admitted that Kern and San Luis Obispo Counties, California, and Clark County, Nevada, are somewhat more closely identified with Los Angeles than with San Francisco, or, in the case of Clark County, with Salt Lake City. There are significant trade and financial relations in both directions, however, and the relative strength of these ties in one direction or the other varies from town to town. Although there would perhaps be little question about the inclusion of these counties in the Los Angeles Zone if zone boundaries were being originally established today, re-zoning would require the approval of both the Board of Directors of this bank and the Board of Governors, and, in contrast to the original establishment of zone lines, would introduce certain complications in changing existing arrangements, some of which are briefly indicated below.

1. A change in zone lines would entail changes in many forms, most important of which would be a change in check routing symbols. The reprinting of checks would be expensive to banks and their customers and might be resisted on such grounds. (On the other hand, the continued use of current symbols on some checks would simply mean that those checks would be routed as at present.) Current wall maps, circulars, bank directories, and other materials, including listings or representations of zone boundaries, would have to be altered.
2. Changes in accounting arrangements of and for branch banks with offices in those counties would be required. Although these would presumably not involve serious problems, it should be pointed out that Nevada is already divided into two zones, and to place Clark County in the Los Angeles Zone would mean that one Reno Bank, which now carries accounts at two of our offices, would have branches in three zones.
3. There is no apparent limit to the number of re-zoning questions that might be raised. A realignment of zones in California and Nevada might well provoke a number of requests elsewhere that might or might not be justified but, nevertheless, bring into play community pride and promotion and honest differences of opinion as to the extent of trade areas. A succession of such changes would be quite undesirable.

Regardless of the degree of importance attached to these factors, which are admittedly largely inconveniences, their existence implies that zone

FOR FILES
D. K. Vigeant

district lines should be redefined only if advantages to banking and industry in the form of significant improvements in service would result. In this instance, re-zoning would not seem to afford such improvements for the following reasons:

1. Cash shipments are sent to and accepted from banks in these areas by our offices, regardless of zone, depending upon the most advantageous transportation schedules.
2. Cash and non-cash items are now being routed by our Los Angeles Branch to all banks in the three counties, and all Los Angeles banks may deposit such items with our Los Angeles Branch rather than send them to San Francisco. Mail schedules are such that items drawn on banks in these counties will be collected equally promptly from Los Angeles or San Francisco, or, for Clark County items, Salt Lake City. As a consequence, for banks outside the immediate Los Angeles area that would deposit items with us by overnight mail, it makes no appreciable difference to which office items are sent. Thus, the existing zoning arrangements should occasion no delay in collection, with the single exception that a routing symbol showing Los Angeles instead of San Francisco (or Salt Lake City) would make sorting somewhat easier for banks wishing to deposit these items with Los Angeles.
3. Fiscal agency and other services are as readily available now as they would be if zone boundaries were changed.

Delay in changing any zone boundaries would appear advisable until the final report of the Joint Committee on the Check Collection System is issued and acted upon, since it will deal with the general problem of check routing arrangements. Also, it would appear preferable not to channel additional items from the Eastern Districts through Los Angeles by any change in routing symbols until additional space is available. However, the number of items involved in this one change of routing symbols would not be large.

December 8, 1953

POSSIBLE SHIFT OF NORTHERN IDAHO FROM THE PORTLAND TO THE SEATTLE ZONE SECTION
AND SOUTHEASTERN ARIZONA FROM THE ELEVENTH DISTRICT TO THE
LOS ANGELES ZONE OF THE TWELFTH DISTRICT

RECEIVED
JAN 20 1954Northern Idaho

The ten northern and western central counties of Idaho are now in the Portland Zone, with the remainder of the State in the Salt Lake City Zone. There is possibly some scattered feeling that the five northernmost counties -- Benewah, Bonner, Boundary, Kootenai, and Shoshone -- should be in the Seattle Zone, although we are not aware of any pressure for such a change and have had no request for its consideration.

These counties include eight banking points with eleven banking offices. Five offices are branches of the Idaho First National Bank of Boise, which has its head office and a number of branches in the Salt Lake City Zone and other branches in the remainder of the Portland Zone. Six offices are unit banks, two of which are member banks. Total deposits in the five counties as of June 30, 1952, were \$52 million, a little over 11 per cent of total bank deposits in Idaho, 3 per cent of all deposits in the Portland Zone, and between 2 and 3 per cent of all deposits in the Seattle Zone. Of the total deposits in the counties, \$32 million or 62 per cent were held by branches of the Idaho First National Bank, which is affiliated with our Salt Lake City Branch. None of the unit banks have Portland correspondents and the area undoubtedly has closer financial and trade relations with Spokane and Seattle than with Portland.

The relation of this area to the Seattle Zone was recognized at the time the Spokane Zone was disestablished, but in view of the hesitation to have the State of Idaho assigned to three zones, northern Idaho was placed in Portland Zone along with the west central counties of Idaho. Since these northern Idaho communities appear to be as well served by Portland as by Seattle, and since it would be quite feasible to arrange for direct sending to and from Seattle if improved service would result at any point, there does not seem to be anything to be gained for these communities by realigning zones. The arguments against

re-zoning are much the same as those raised in connection with a possible change in Los Angeles Zone boundaries.

Southeastern Arizona

The five counties of southeastern Arizona -- Cochise, Graham, Greenlee, Pima, and Santa Cruz -- are in the Eleventh District. Present banking facilities, however, indicate no particular basis for this division of the State of Arizona. Of the 25 banking offices in the 11 banking points in these counties, 14 are branches of two banks with head offices at Phoenix in the Twelfth District. Two banks, with head offices in Bisbee and Tucson, account for the other 11 offices. Some time ago, we were approached with the suggestion that all of Arizona should be included in the Twelfth District and were told that, if we were favorable, Arizona interests would promote the change. We were assured, however, that service was adequate under present arrangements. We accordingly counseled against such a promotion and it was dropped. Again, the existence of the district boundary interposes no barrier to the most convenient arrangements for coin and currency shipments and cash letters.

REC'D IN FILES SECTION
NOV 17 1953
122, 7(12)

November 16, 1953

Board of Governors
Division of Bank Operations

Study of Twelfth District
boundaries with special reference to
possible additional branch territories.

Attached is a letter dated September 17, 1953 from President Earhart of the Federal Reserve Bank of San Francisco and an accompanying report entitled, Possible Changes in District and Branch Boundaries including Possible Additional Offices - Twelfth District. This study was undertaken as result of a suggestion made at the joint meeting of the Board of the Presidents last March.

The report has not yet received the attention of the directors of the San Francisco Bank. No action by the Board is required at this time.

The conclusion drawn from the analysis, summarized below, is that there exists no pressing need for adjustments in the District or Branch territory boundaries nor does the establishment of additional offices seem necessary in light of the figures presented. However, the report emphasizes that the added expense -- roughly estimated at a net of at least \$300,000 annually -- for the operation of another branch must be justified or rejected by a subjective judgment of the worth of the added services rather than solely by any objective analysis of available statistics.

Improved transportation facilities and the development of branch banking in the Twelfth District have tended to lessen the need for additional Reserve Bank branches, and made the location of specific zone boundaries somewhat less significant. Widening markets have made the concept of separate and distinct economic areas less clear cut than was the case 30 years ago. The growth of branch banking is a collateral event contributing to the decline of unit banks in both number and importance; the need for local services from the Reserve Bank has been consequently lessened.

Member bank borrowing is a case in point. The reserves of all offices of a branch bank are pooled so that the head office does all borrowing from the Reserve Bank. Furthermore, since borrowing today is virtually entirely against Government securities, the need for specialized credit review of agricultural or industrial paper, unique to a region, has largely disappeared.

FILE COPY

FOR FILES
L. R. Smith

Copy filed
301.1

A similar situation exists with respect to check collection. In a branch bank organization, checks received drawn on other branches are cleared within the organization itself. The number of such transactions is not known but such inter-branch clearings are believed to involve several times the total number of Twelfth District checks cleared through the Federal Reserve Bank. te

Using an overnight mail service as a criterion, it is pointed out that all except 36 small and scattered points have adequate mail schedules under existing arrangements. All except one of these points (Globe, Arizona) are communities under 5000 persons. Only seven member banks are affected since many of these communities are served by non-member banks and branch offices.

The feasibility of opening additional offices is closely examined for four localities, Phoenix, Spokane, Boise, and Reno. These sites were selected with a view to providing additional points with overnight mail from a Federal Reserve Office and also to provide direct contact with a significant volume of commercial banking in the chosen city and its immediate area. Each of these localities and its surrounding territory is relatively much less important than that of any existing office in the Twelfth District. Significant features of each are summarized below:

Phoenix

The establishment of a branch at Phoenix serving that part of Arizona in the Twelfth District would include banks with deposits totaling about \$400 million, 75 percent of which are in metropolitan Phoenix. This would absorb 5 or 6 percent of deposits now in the Los Angeles zone. There are 4 member and 7 nonmember banks with a total of 69 offices in this area.

Spokane

The re-establishment of a branch at Spokane serving eastern Washington and northern Idaho would include banks with deposits totaling \$561 million, 40 percent of which are in metropolitan Spokane. Such an office would enable 12 additional points to have overnight mail service and substantially improve service to 16 other points. Of the 66 branch offices of member banks in the area, 46 are branches of banks with head offices in Seattle and Boise. The former Spokane territory currently includes 21 member and 30 nonmember banks.

FILE COPY

November 16, 1953

Boise

The establishment of a branch at Boise serving the State of Idaho would include banks with deposits totaling \$459 million, 70 percent of which are held by three Boise banks and their branches. There are 20 member and 18 non-member banks with a total of 102 offices in the State.

Reno

The establishment of a branch at Reno serving the State of Nevada would include banks with deposits totaling \$205 million, 75 percent of which are held by one Reno branch bank. There are 6 member and 2 nonmember banks with a total of 28 offices in the State.

The report advises that the matter of improved services can be best advanced by further development of the practice of direct sendings. Also stated is that there has been no recent widespread or significant demand for the steps discussed.

Attachment.

WMG/nss
11/16/53

Ans.
My

FILE COPY

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN FILES SECTION

NOV 30 1953

122

Office Correspondence

Date November 16, 1953

To Board of Governors

Subject: Study of Twelfth District boundaries with special reference to possible additional branch territories.

From Division of Bank Operations

*My
AK*

Attached is a letter dated September 17, 1953 from President Earhart of the Federal Reserve Bank of San Francisco and an accompanying report entitled, Possible Changes in District and Branch Boundaries including Possible Additional Offices - Twelfth District. This study was undertaken as result of a suggestion made at the joint meeting of the Board of the Presidents last March.

Circulation,

First to Mr. Vardaman

The report has not yet received the attention of the directors of the San Francisco Bank. No action by the Board is required at this time.

Mr. Szymczak

Mr. Evans

Mr. Vardaman

The conclusion drawn from the analysis, summarized below, is that there exists no pressing need for adjustments in the District or Branch territory boundaries nor does the establishment of additional offices seem necessary in light of the figures presented. However, the report emphasizes that the added expense -- roughly estimated at a net of at least \$300,000 annually -- for the operation of another branch must be justified or rejected by a subjective judgment of the worth of the added services rather than solely by any objective analysis of available statistics.

Mr. Mills

Mr. Robertson

Mr. Martin

Please note, check and return to Mr. Brennan

Improved transportation facilities and the development of branch banking in the Twelfth District have tended to lessen the need for additional Reserve Bank branches, and made the location of specific zone boundaries somewhat less significant. Widening markets have made the concept of separate and distinct economic areas less clear cut than was the case 30 years ago. The growth of branch banking is a collateral event contributing to the decline of unit banks in both number and importance; the need for local services from the Reserve Bank has been consequently lessened.

Member bank borrowing is a case in point. The reserves of all offices of a branch bank are pooled so that the head office does all borrowing from the Reserve Bank. Furthermore, since borrowing today is virtually entirely against Government securities, the need for specialized credit review of agricultural or industrial paper, unique to a region, has largely disappeared.

Lu JUB

A similar situation exists with respect to check collection. In a branch bank organization, checks received drawn on other branches are cleared within the organization itself. The number of such transactions is not known but such inter-branch clearings are believed to involve several times the total number of Twelfth District checks cleared through the Federal Reserve Bank.

Using an overnight mail service as a criterion, it is pointed out that all except 36 small and scattered points have adequate mail schedules under existing arrangements. All except one of these points (Globe, Arizona) are communities under 5000 persons. Only seven member banks are affected since many of these communities are served by non-member banks and branch offices.

The feasibility of opening additional offices is closely examined for four localities, Phoenix, Spokane, Boise, and Reno. These sites were selected with a view to providing additional points with overnight mail from a Federal Reserve Office and also to provide direct contact with a significant volume of commercial banking in the chosen city and its immediate area. Each of these localities and its surrounding territory is relatively much less important than that of any existing office in the Twelfth District. Significant features of each are summarized below:

Phoenix

The establishment of a branch at Phoenix serving that part of Arizona in the Twelfth District would include banks with deposits totaling about \$400 million, 75 percent of which are in metropolitan Phoenix. This would absorb 5 or 6 percent of deposits now in the Los Angeles zone. There are 4 member and 7 nonmember banks with a total of 69 offices in this area.

Spokane

The re-establishment of a branch at Spokane serving eastern Washington and northern Idaho would include banks with deposits totaling \$561 million, 40 percent of which are in metropolitan Spokane. Such an office would enable 12 additional points to have overnight mail service and substantially improve service to 16 other points. Of the 66 branch offices of member banks in the area, 46 are branches of banks with head offices in Seattle and Boise. The former Spokane territory currently includes 21 member and 30 nonmember banks.

Boise

The establishment of a branch at Boise serving the State of Idaho would include banks with deposits totaling \$459 million, 70 percent of which are held by three Boise banks and their branches. There are 20 member and 18 non-member banks with a total of 102 offices in the State.

Reno

The establishment of a branch at Reno serving the State of Nevada would include banks with deposits totaling \$205 million, 75 percent of which are held by one Reno branch bank. There are 6 member and 2 nonmember banks with a total of 28 offices in the State.

The report advises that the matter of improved services can be best advanced by further development of the practice of direct sendings. Also stated is that there has been no recent widespread or significant demand for the steps discussed.

Attachment.

RECORD IN FILES SECTION

SEP 30 1953

122.7 (12)

September 29, 1953

FILES

W. M. Graham

Summary of report on possible changes in Twelfth District boundaries and number of branch offices.

The following comments are the essence of a report forwarded to the Board September 17, 1953 by President Earhart of the Federal Reserve Bank of San Francisco. The report is the result of that Bank's studies of its District and branch boundaries and of its need for additional offices.

see letter 9/17/53

There appears to be no pressing need for adjustments in the boundaries of branch territories nor does the establishment of additional offices in the Twelfth District seem necessary in the light of figures presented. However, the report points out that the added expense -- roughly estimated at a net of at least \$300,000 annually -- for the operation of another branch must be justified or rejected by a subjective judgment of the worth of the added services rather than solely by any objective analysis of available statistics. Regarding the matter of adjusting territorial boundaries, the report emphasizes that despite growth in population and bank resources in the Twelfth District, improved transportation and the development of branch banking have made the concept of separate economic areas less significant and have lessened the importance of specific boundaries. Finally, the report states that the question of improved services can best be approached by further development of the practice of direct sendings.

Other points developed in support of the general thesis include the following: the nature of member bank borrowings at this time, the adequacy of mail schedules for all except a few small and scattered points, and a case by case analysis of the merits and demerits of those localities which might be considered for additional facilities. Phoenix, Spokane, Boise, and Reno appear to be the most important banking centers located at some distance from existing facilities but each of these metropolitan areas and its surrounding territory is relatively much less significant than that of any existing office in the Twelfth District.

It is stated there has been no recent widespread or significant demand for the steps discussed. The report has not yet received the attention of the directors of the San Francisco Bank. No action by the Board is required at this time.

WMG/nss

WMB

Copy filed 301.1 (12)

FILE COPY

FOR FILES
Patricia B. Ivie

7

Mr. Leonard
Mr. [unclear]

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO 20, CALIFORNIA

September 17, 1953

REC'D IN FILES SECTION

SEP 30 1953

122,7(12)

Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Sirs:

Enclosed is a report, dated September 15, 1953, prepared by one of our officers as a result of studies of our District and branch boundaries and of the need for additional offices of this bank.

This report is submitted to you for your information in accordance with your request. It has not as yet received the attention of our directors, who have received no requests from within the District to consider the question of additional offices.

If additional information of any phase of the subject should be desired by the Board, we shall be pleased to endeavor to provide it.

Yours very truly,

C. E. Earhart

C. E. Earhart,
President.

FOR FILES
Patricia B. Ivie

September 15, 1953

REC'D IN FILES SECTION
SEP 30 1953
1222

POSSIBLE CHANGES IN DISTRICT AND BRANCH BOUNDARIES,
INCLUDING POSSIBLE ADDITIONAL OFFICES - TWELFTH DISTRICT

Despite the growth in population and bank resources in the Twelfth District, especially since 1940, there appears to be no need at this time for additional branch offices of this bank. The airplane and the automobile have brought one area closer to another; markets have widened, and the concept of separate and distinct economic areas is much less clear cut than it was 30 years ago. In the Twelfth District, this has been reflected in the widespread development of branch banking. With branch systems extending over - and even beyond - entire zones, and with the number and relative importance of unit banks having declined significantly, the need for local service from the Reserve bank has been correspondingly lessened. For example, reserves of all offices of a branch bank are pooled, in effect, and borrowing from the Reserve bank is done only by the head office of the branch bank. In addition, all checks on other branches within a branch system are cleared within the branch bank itself. While the number of such transactions is not known, such inter-city, intra-bank clearings undoubtedly involve several times the total number of District checks cleared through this bank.

Such developments have lessened rather than increased the need for additional Reserve bank branches, and have perhaps also made specific zone boundaries of somewhat less importance.

Member bank borrowing

Not only has the spread of branch banking reduced the number of banks and, consequently, the number of potential borrowers, but, also, member bank borrowing is presently virtually entirely against Government securities. Short of unforeseen emergency developments, there is little reason to expect this situation to change materially in the near future. The need, therefore, for specialized credit review of agricultural or industrial paper offered for rediscount that is unique to a particular region (a major argument of those favoring continuance of the Spokane

Branch in the mid-thirties) has largely disappeared, or at least has been suspended. The fact still remains that a bank in a reserve city has an advantage in last minute borrowing and does not have to anticipate its needs to the same extent as a country bank. However, averaging reserve requirements over a semimonthly period, and the usual availability of funds from correspondent banks minimize this advantage to some extent. In addition, arrangements can be made for signed notes of a country bank to be held by a city correspondent, or even at an office of this bank, thus permitting borrowing without mail delay. Few banks in this District have indicated a need for such an arrangement, however.

Mail Schedules

With respect to adequacy of service by this bank, mail schedules between offices of this bank and all banking points in the Twelfth District have been examined. Although this District is the largest of the twelve in area, almost all of the relatively few points not receiving overnight mail service are small towns with single banking offices - usually branch offices - and are rather widely scattered. In no instance are there more than two banking offices in such a point. For example, regular mail dispatched by an office of this bank is received the next day not later than noon at all but 36 banking points throughout the District. Of these, 15 are towns of under 1000 population, 10 have from 1000 to 2500 population, 10 have from 2500 to 5000 persons, and one (Globe, Arizona) has 9000 population. Only four of these towns have two banking offices. Of the 40 banking offices involved, 23 are branch offices, 10 are nonmember banks, and 7 are member banks.

There are another 50 points receiving overnight mail service, but mail must be dispatched before the close of business in order to reach offices of this bank in time for handling the next day. These are also small, and in most instances single branch office towns.

Thus, assuming that overnight mail service is satisfactory, it does not appear that inadequate mail service for any significant volume of transactions and

communications provides, of itself, a basis for consideration of the establishment of additional Reserve bank facilities. Rather, it would appear necessary to demonstrate not only that additional points could be given overnight mail service, but also that new facilities would be so located as to provide direct contact with a significant volume of commercial banking in the same city or immediate area.

Metropolitan areas

In this regard, all metropolitan areas (as defined by the Census Bureau) and the counties in which are situated the largest cities in the two District states, Idaho and Nevada, in which there are no metropolitan areas, have been listed in Table I, which includes, in our opinion, all the localities that might, even remotely, be considered for additional facilities in this District.

Phoenix, Spokane, and, to a much lesser extent, Boise and Reno, appear to be the most important banking centers located significant distances from existing facilities. (San Diego has no appreciable "satellite" territory beyond the metropolitan area except for a narrow strip east, and for cash shipments is served by an armored car route out of Los Angeles. Fresno and, in fact, most of the San Joaquin Valley have adequate mail service to both San Francisco and Los Angeles, and are served almost entirely by branches of banks with head offices in those two cities.)

Phoenix, Arizona

A branch office at Phoenix serving, say, that part of the State of Arizona in the Twelfth District would include banks with deposits totaling about \$400 million throughout the State, 75 per cent of which are in the Phoenix metropolitan area. This would take in 5 to 6 per cent of the deposits included in the present Los Angeles Zone, and would be less than half of the deposit volume included in the smallest existing zone, measured in terms of deposits (Salt Lake City). ^{1/}

^{1/} It is recognized that there is by no means a fixed relationship between bank deposits and the amount of Reserve bank services likely to be rendered to banks

The existence of such an office would presumably put the four Arizona points (having, in total, three branch offices and one nonmember bank) not now on an overnight mail basis in such a position. Points now on an overnight basis from Los Angeles and far enough away from Phoenix to be served by mail would be in about the same position as at present. Eastern air mail would not arrive enough earlier in Phoenix than in Los Angeles to make an appreciable difference in handling.

In the entire State (exclusive of that portion in the Eleventh District), there are only four member and seven nonmember banks, with a total of 69 offices. One bank, the Valley National Bank, holds 75 per cent of all deposits in the State. Given our present practice of not handling items drawn on other offices of the same bank, this would mean a considerably smaller volume of transit items than the deposit figures might indicate.

Spokane, Washington

A Spokane Zone, including eastern Washington and northern Idaho, existed until the mid-thirties, when it was limited to the City of Spokane for a brief period and then dis-established entirely in 1938. At that time it was decided that separate facilities were not necessary, and the Spokane Zone was divided between the Seattle and Portland Zones.

Reestablishment of this zone would include banking offices with deposits totaling \$561 million, 40 per cent of which, or \$222 million, are in the Spokane metropolitan area. This would be a deposit volume equal to 25 per cent of that of the present Seattle Zone and to about half that of the Salt Lake City zone. In some respects, the significance of this relative deposit volume is less than it appears,

1/ (Cont'd)

in a proposed territory; yet it is probably as adequate a relative indication as any. Many factors, such as fiscal agency relationships, are difficult to quantify; others, such as the volume of cash letters, might change appreciably from existing patterns. (Phoenix banks, for instance, send cash letters to their Los Angeles correspondents, not to our Los Angeles Branch, but it is doubtful that this would be continued if Reserve bank facilities were made available at Phoenix.) Even cash shipments would probably vary appreciably in frequency and amount if cash were available to banks from a closer point.

again because of the branch bank situation. Of the 66 branch offices of member banks in the area, 46 are branches of banks with head offices in Seattle and Boise. This former Spokane Zone currently includes 21 member banks and 30 nonmember banks.

Such an office would presumably have overnight mail service to the six Washington points and the six northern Idaho points not now on that basis with Seattle and Portland, respectively, and also would improve the mail service from 16 additional points that do not have overnight mail service, after the close of business, to the Reserve branch in their zones. Again, however, these are all relatively small one-bank (or -branch) towns, except for Kellogg and Wallace, Idaho, each of which has two banking offices.

Boise, Idaho

Although the Boise area (Ada County) does not have the population or volume of deposits of other areas, it is given consideration here because of the considerable distance from Salt Lake City and because the two major Idaho branch banks have head offices there. Of the \$459 million in Idaho bank deposits, 70 per cent, or \$315 million, is in the three Boise banks and the outside branches of two of them, although deposits in Ada County itself total only \$71 million.

However, Boise and all but two other Idaho banking points now in the Salt Lake City Zone have overnight mail service from Salt Lake City, and there are only 20 member and 18 nonmember banks, with a total of 102 banking offices in the entire State.

Reno, Nevada

Reno is in a considerably less important position than Boise. Although one Reno branch bank has 75 per cent of the \$205 million deposits in Nevada banks, there are only 6 member and 2 nonmember banks, with 28 banking offices in total in Nevada. In addition, banks in eastern Nevada, now in the Salt Lake City Zone, are as close or closer to Salt Lake City than to Reno.

Additional branches

After examining the banking structure, the volume of activity, and relations with banks in these areas, it is believed that the establishment of additional branches of this bank cannot be justified in any case. Certainly, greater convenience and improved service would be afforded banks in the cities under consideration, and, in a few instances, services to outlying banks or branches would reflect better mail schedules. Costs of currency shipments would be reduced in some instances. On the other hand, the establishment of a branch office involves substantial expense, including expense for premises, protection, accounting, supervision, etc. that would by no means be offset by reduced expense at existing offices.

There is no way to make a close estimate of comparative costs, assuming the establishment of an additional branch, without much more detailed consideration than is possible here, not only of present relations with member banks that would be affected, but also of changes in those relations that would be initiated by those banks themselves, such as sending cash letters to the new branch instead of to correspondents, ordering and returning coin and currency more frequently, and the like. Some clue may be afforded, however, by reference to the reductions in costs following the dis-establishment of the Spokane Branch. It appears from a comparison of Seattle-Portland-Spokane expense (1935-36) with Seattle-Portland expense after Spokane Branch was closed (1939-40) that the existence of the Spokane Branch required a net additional annual expense of about \$100,000. This was about 25 per cent more than the annual expense of covering the area with two offices and was equal to about two thirds of the annual expense of the Spokane Branch alone. This may seem to be a high figure, relative to the cost of Spokane itself, but it must be remembered that only part represents overhead saved by combining offices. The rest presumably represents primarily the cost of that volume of business done through Spokane that did not go to Portland and Seattle at all. However, of the \$100,000 additional annual expense, close to \$60,000 can be identified as overhead that could be said

to have been saved by closing Spokane. (The share of overhead in total net additional annual expense might be higher today, since the spread of branch banking has undoubtedly reduced the relative volume of additional activity that would develop in a Spokane branch).

Total expenses of this bank are currently some five times larger than in the period 1935-40. Even increasing these estimates only three times, which appears conservative, -- thus assuming a current figure of \$300,000 additional annual expense, \$180,000 of which would be increased overhead -- and admitting that they are extremely rough approximations, it is evident that substantial added expense, not offset by reductions in expense in existing offices, would be involved in the establishment of a new branch. Whether such expense is justified by the added services afforded must remain a matter of judgment, not of arithmetic calculation. Only a relatively small number of banks are involved; present service is reasonably satisfactory except possibly to a few smaller and more isolated points; and, to our knowledge, there has been no recent widespread or significant demand in the localities concerned for such a step.

The possibility is also recognized of setting up additional limited facilities, say only a currency depot or check collection operation, or both, rather than a full branch. These steps are not recommended at this time, however, since there appears to be no pressing urge, and branch banking and relative sparsity of population limit the need. (A currency depot or check collection office would not entirely satisfy civic pride and remove a pressure for full branch services.)

Also, current consideration being given to such factors as the inclusion of vault cash in reserves and the work in process of the Check Collection Committee would appear to warrant holding such action in abeyance, even if it were contemplated.

Alterations in existing District or Zone lines

There appears no urgent need for rearrangement of existing zone or Twelfth District boundaries under present conditions. (A Phoenix branch zone might well

include all of Arizona, however, or a Spokane branch zone, if established, a part of western Montana.) In fact, the question of specific boundaries does not appear to be as significant as the question of improved service by direct sending of cash items (and, in a few instances, coin and currency shipments) across branch or district lines. For example, it is of no great consequence whether Las Vegas, Nevada, is in the Salt Lake City or the Los Angeles Zone, but it has been found desirable to send items (and cash shipments on occasion) direct to Las Vegas from both offices. Direct sending to other zones is our practice where volume warrants.

TABLE I
Metropolitan Areas^{1/} - Twelfth District

	1950 Population (thousands)	June 30, 1952 Deposits (millions of dollars)	Distance from reserve city in zone to central city in area (miles)	No. of banking offices in central city of area	No. of unit banks and head offices of branch banks in central city of area
San Francisco-Oakland					
San Jose ^{2/}	2,531	5,436	-	106	13
Los Angeles	4,367	5,872	-	221	7
Portland	705	902	-	27	6
Seattle-Tacoma ^{2/}	1,009	1,345	-	41	11
Salt Lake City	275	394	-	16	8
Others in San Francisco Zone					
Fresno	277	294	185	9	0
Sacramento	277	507	90	12	1
Stockton	201	221	82	7	2
Reno (Washoe County)	50	88	229	7	3
Others in Los Angeles Zone					
Phoenix	332	306	393	17	4
San Bernardino	282	192	59	7	1
San Diego	557	503	127	26	4
Others in Salt Lake City Zone					
Boise (Ada County)	71	92	383	6	3
Ogden	84	71	36	5	3
Other in Seattle Zone					
Spokane	222	222	293	11	3

^{1/} Census Bureau classification, except for Reno and Boise.

^{2/} Combined.

TABLE II

Twelfth District Bank Deposits by Zones and Selected Areas

June 30, 1952

	<u>Millions of dollars</u>	<u>Per Cent of District Total</u>
Twelfth District	20,672	100
Head Office Zone	8,255	40
Los Angeles Zone	7,314	35
Portland Zone	1,830	9
Salt Lake City Zone	1,054	5
Seattle Zone	2,218	11
Arizona (Phoenix)	399	2
Idaho (Boise)	459	2
Nevada (Reno)	205	1
Former Spokane Zone	561	3

TABLE III

Twelfth District Banks and Banking Offices
by Zones and Selected Areas

June 30, 1953

	<u>Banks</u>		<u>Branches</u>		<u>Total Banking Offices</u>
	<u>Member</u>	<u>Nonmember</u>	<u>Member</u>	<u>Nonmember</u>	
Twelfth District	258	234	1,354	113	1,959
Head Office Zone	64	51	474	50	639
Los Angeles Zone	65	29	533	18	645
Portland Zone	39	56	133	10	238
Salt Lake City Zone	47	36	79	10	172
Seattle Zone	43	62	135	15	255
Arizona	4	7	46	12	69
Idaho	20	18	59	5	102
Nevada	6	2	18	2	28
Former Spokane Zone	21	30	66	2	119

