

Minutes for October 26, 1959

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, October 26, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Shepardson  
Mr. King

Mr. Sherman, Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Nelson, Assistant Director, Division of Examinations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Landry, Assistant to the Secretary  
Mr. Hooff, Assistant Counsel

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Central Home Trust Company of Elizabeth, N. J., Elizabeth, New Jersey, approving the establishment of a branch at the northwest corner of North and Dowd Avenues.	1
Letter to The Merchants Trust Company of Red Bank, N. J., Red Bank, New Jersey, approving the establishment of a branch on the southwest corner of the intersection of Laurel Avenue and Route 35 in the Township of Holmdel, New Jersey.	2
Letter to the Lincoln Rochester Trust Company, Rochester, New York, approving the establishment of a branch in the Spencerport Road Plaza shopping center in the Town of Gates, Monroe County, New York.	3

10/26/59

-2-

	<u>Item No.</u>
Letter to the Trade Bank and Trust Company, New York, New York, approving the establishment of a branch at 200 Lexington Avenue, New York, New York.	4
Letter to The Union Commerce Bank, Cleveland, Ohio, approving an extension of time to establish a branch at 6420 Mayfield Road, Mayfield Heights, Ohio.	5
Letter to the Federal Deposit Insurance Corporation regarding an application of Alabama City Bank of Gadsden, Alabama, Gadsden, Alabama, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	6
Letter to the Fayette Bank and Trust Company, Connerville, Indiana, approving the establishment of an in-town branch at the intersection of 30th Street and Western Avenue.	7
Letter to Guaranty Bank & Trust Company, Hammond, Louisiana, approving an extension of time to establish a branch at the corner of West Thomas Street and Richardson Avenue.	8
Letter to the Capital City National Bank of Tallahassee, Tallahassee, Florida, granting its request for permission to exercise full fiduciary powers.	9

Branch of Chase Manhattan Bank (Item No. 10). There had been circulated to the Board under date of October 12, 1959, a memorandum from the Division of Examinations concurring in the recommendation of the Federal Reserve Bank of New York that The Chase Manhattan Bank be permitted to establish an in-town branch at 80 Pine Street, New York, to replace its three branches located at 37 Wall Street, 43 Exchange Place, and 770 Broadway. The memorandum indicated that on April 24,

10/26/59

1956, when the Board approved the establishment by Chase Manhattan of these three branches, it was understood that each branch would carry on limited functions and that the activities conducted at these locations would be removed to the main office building upon its completion. The subject Bank now requested permission to consolidate the three branches at 80 Pine Street, about 578 feet from the construction site of the new main office building, rather than to follow the earlier plan for transferring these operations to the main office.

In answer to a question from Governor Mills, Mr. Nelson said that Chase Manhattan planned to continue in operation the proposed branch at 80 Pine Street following completion of its new main office building and that the New York State Superintendent of Banks had approved on October 7, 1959, relocation (to 80 Pine Street) of the three limited-function branches. Moreover, he said, the State Superintendent of Banks limited the functions to be performed by the 80 Pine Street branch to those of the Corporate Trust Department, Pension Trust Department, Instalment Credit Division, Personal Loan Department, and Mail Department. He noted that the proposed branch location was so close to the main office building that it would serve essentially the same area as would the latter.

A letter to The Chase Manhattan Bank approving the establishment of the proposed branch at 80 Pine Street was then approved unanimously in the form attached to these minutes as Item No. 10.

10/26/59

Establishment of branch of First National City Bank in Puerto Rico (Item No. 11). There had been circulated to the Board under date of October 13, 1959, a memorandum from the Division of Examinations concurring in the recommendation of the Federal Reserve Bank of New York that The First National City Bank of New York be permitted to establish a branch in the Rio Piedras section of San Juan, Puerto Rico.

Noting that the memorandum carried the information that Secretary of the Treasury Noguera of the Commonwealth of Puerto Rico had "found the proposal acceptable to the best interests of the Department," Vice Chairman Balderston asked whether the System would be relying solely on the Puerto Rican authorities in arriving at a decision that the proposed branch of The First National City Bank of New York would not provide too much competition for existing branches of Puerto Rican banks. He also noted that a branch of The Chase Manhattan Bank already was serving the Rio Piedras area.

Mr. Goodman replied that, in general, this was correct since an on-the-scene investigation of this application had not been made. However, he went on to say, members of the Board's staff as well as that of the New York Reserve Bank had made official visits to San Juan in the recent past. Their familiarity with the area, plus the information furnished by First National City and the letter from Secretary of the Treasury Noguera, provided the basis for recommending approval of this

10/26/59

application. Mr. Goodman answered in the negative a question from Governor Szymczak as to whether the United States Department of State had been consulted regarding this case, as would be done in the event a foreign country were involved. He added that on occasions the United States Department of Interior was consulted in connection with applications involving any dependency, insular possession or part of the United States outside the States of the United States and the District of Columbia.

Mr. Solomon commented that the New York Reserve Bank had regularly been sending to Puerto Rico at least one person once or twice a year since that Commonwealth had been included in the Second Federal Reserve District, and that it was thus in a position to keep informed about banking developments there.

In response to a further question from Governor Balderston, Mr. Goodman said that a field investigation would seem to be appropriate whenever the Federal Reserve was disposed toward making a different recommendation from that of the Puerto Rican authorities in such cases. Where all recommendations were favorable, a field investigation by the System did not seem to be necessary.

A letter to The First National City Bank approving the establishment of a branch in the Rio Piedras section of San Juan, Puerto Rico, was then approved unanimously in the form attached as Item No. 11.

10/26/59

Application to organize a national bank at Lake Wales, Florida, (Item No. 12). A memorandum from the Division of Examinations dated October 13, 1959, had been circulated to the Board indicating concurrence in the recommendation of the Federal Reserve Bank of Atlanta that favorable consideration be given to an application to organize a national bank at Lake Wales, Florida. Accordingly, the memorandum was accompanied by a draft letter that would make such a recommendation to the Office of the Comptroller of the Currency.

Governor Mills commented that he had no reason for disputing the recommendation but that he did have reservations regarding what appeared to be promotional aspects of the Indian Lake Estates residential subdivision at Lake Wales. He wondered whether the aftermath of the present promotional efforts would be a community large enough to justify having two commercial banks.

Governor Shepardson then asked whether a proposed staff study of banking developments in Florida and certain other States would include an analysis of the elements mentioned by Governor Mills

Mr. Solomon replied that the Examinations Division had under way a study of the tendency for chain banking to develop as a substitute for branches in non-branch banking States such as Florida and Texas but that it had not thus far included the broader question of possible over-banking.

10/26/59

Governor Shepardson then suggested that this study be broadened somewhat to include a summary picture of the new banks established in these States, and Mr. Solomon said that this would be done.

Upon an observation from Vice Chairman Balderston that another agency had expressed some concern regarding the number of new banks being started in Florida, Mr. Nelson stated that the existing bank in Lake Wales had deposits of \$13.6 million and that the local savings and loan associations had deposits of \$5 million. While there was a promotional aspect to the community's development, it was the conclusion of the Atlanta Reserve Bank that an additional bank in the Lake Wales service area, which had a population of around 17,500, could succeed.

After further discussion, unanimous approval was given to a letter to the Comptroller of the Currency recommending favorably with respect to this application in the form attached as Item No. 12.

The meeting then adjourned.

Secretary



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

Item No. 1  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.



Board of Directors,  
Central Home Trust Company  
of Elizabeth, N. J.,  
Elizabeth, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves establishment of a branch at the northwest corner of North and Dowd Avenues, Elizabeth, New Jersey, by Central Home Trust Company of Elizabeth, N. J., Elizabeth, New Jersey. This approval is given provided the branch is established within one year from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 2  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

Board of Directors,  
The Merchants Trust Company  
of Red Bank, N. J.,  
Red Bank, New Jersey.

Gentlemen:

The Board of Governors approves the establishment of a branch by The Merchants Trust Company of Red Bank, N. J., Red Bank, New Jersey, on the southwest corner of the intersection of Laurel Avenue and Route 35 in the Township of Holmdel, New Jersey, instead of on Route 35, approximately 1,000 feet west of Laurel Avenue in the Township of Holmdel, New Jersey. This approval is given provided the branch is established by June 1, 1960, and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 3  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

Board of Directors,  
Lincoln Rochester Trust Company,  
Rochester, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Spencerport Road Plaza shopping center on the north side of Lyell Avenue at the junction of Lyell Avenue, Spencerport and Howard Roads, in the Town of Gates, Monroe County, New York, by Lincoln Rochester Trust Company, provided the branch is established within six months from the date of this letter and approval of State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 4  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

Board of Directors,  
Trade Bank and Trust Company,  
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 200 Lexington Avenue, New York, New York, by Trade Bank and Trust Company, provided the branch is established within one year from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 5  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

Board of Directors,  
The Union Commerce Bank,  
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors has approved an extension of time until December 1, 1959, in which The Union Commerce Bank may establish a branch at 6420 Mayfield Road, Mayfield Heights, Ohio. The establishment of this branch was authorized in a letter dated November 20, 1957.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 6  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 26, 1959.

The Honorable Jesse P. Wolcott, Chairman,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of October 14, 1959, concerning the application of Alabama City Bank of Gadsden, Alabama, Gadsden, Alabama, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank that, in the opinion of the Board of Governors, it would be desirable to incorporate as conditions to continuance of deposit insurance.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 7  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.



Board of Directors,  
Fayette Bank and Trust Company,  
Connersville, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the intersection of 30th Street and Western Avenue, Connersville, Indiana, by Fayette Bank and Trust Company, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 8  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

Board of Directors,  
Guaranty Bank & Trust Company,  
Hammond, Louisiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System further extends the time within which Guaranty Bank & Trust Company may establish a branch at the corner of West Thomas Street and Richardson Avenue, Hammond, Louisiana, to January 2, 1960, under the authorization contained in the Board's letter dated September 22, 1958.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.





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

Item No. 9  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 26, 1959.

Board of Directors,  
Capital City National Bank of Tallahassee,  
Tallahassee, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Capital City National Bank of Tallahassee authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 10  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 26, 1959.

Board of Directors,  
The Chase Manhattan Bank,  
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 80 Pine Street, to replace the three branches located at 37 Wall Street, 43 Exchange Place and 770 Broadway. This approval is given provided the branch is established within nine months from the date of this letter and that formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 11  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

The First National City Bank of New York,  
55 Wall Street,  
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The First National City Bank of New York, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the Rio Piedras section of San Juan, Puerto Rico, to be located on Munoz Rivera Avenue between Borinquen and Margarita Streets, and to operate and maintain such branch subject to the provisions of said Section. The location of the branch may not be changed, either before or after establishment, without the prior approval of the Board of Governors.

The Board of Governors also grants its consent to the exercise by The First National City Bank of New York, at the Rio Piedras Branch, of any of the fiduciary powers heretofore granted it by the Board of Governors pursuant to Section 11(k) of the Federal Reserve Act. This consent is granted on the condition that the exercise of such powers in Puerto Rico is not in contravention of the local law and that in exercising such powers at its Rio Piedras Branch the bank shall comply in all respects with the applicable provisions of the Federal Reserve Act and the Regulations of the Board of Governors.

Unless the branch is actually established and opened for business on or before October 31, 1960, all rights granted hereby will be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is opened for business.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 12  
10/26/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 26, 1959.

Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 16, 1959, enclosing copies of an application to organize a national bank at Lake Wales, Florida, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that the organizers have agreed to provide a minimum capital structure for the bank of \$600,000, instead of \$500,000, as shown in the application. This revised capital structure appears to be adequate. The report discloses generally favorable findings with respect to earnings prospects, convenience and needs of the community to be served, and proposed management, although definite arrangements have not been made for the chief executive officer. Accordingly, the Board of Governors recommends favorable consideration of the application with the understanding that arrangements will be made for executive management which are satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.