

Minutes for February 25, 1960.

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
Thursday, February 25, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Miss Carmichael, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel
Mr. Collier, Chief, Current Series Section,
Division of Bank Operations

Mr. Rudy, General Counsel, Federal Reserve Bank
of Dallas

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

Item No.

Letter to the Liberty Bank of Buffalo, Buffalo,
New York, approving a change in the location of its
proposed branch in the Town of Hamburg.

1

1/ Entered meeting at point indicated in minutes.

2/25/60

-2-

	<u>Item No.</u>
Letter to The Savings Deposit Bank and Trust Company, Elyria, Ohio, approving the establishment of a branch in Elyria Township.	2
Letter to The Lorain Banking Company, Lorain, Ohio, approving the establishment of a branch in the Village of Amherst.	3
Letter to the Union Bank and Trust Company, Kokomo, Indiana, approving the establishment of a branch at 502 North Main Street.	4
Letter to the Federal Deposit Insurance Corporation regarding the application of The Cynthiana State Bank, Cynthiana, Indiana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	5
Letter to the Federal Reserve Bank of Dallas expressing the opinion that the payment by a member bank of \$1 to the church of a depositor's choice for the deposit of \$25 or more in a new savings or checking account does not constitute an indirect payment of interest.	6

Application to organize a national bank (Item No. 7). There had been circulated under date of February 10, 1960, a memorandum from the Division of Examinations recommending disapproval of an application to organize a national bank in Falls Church, Virginia. Attached to the memorandum was a draft of letter to the Comptroller of the Currency that would indicate the Board did not feel justified in recommending approval of the application. The memorandum stated that the Federal Reserve Bank of Richmond had also recommended against approval of the application.

At the request of Governor Mills, Mr. Nelson summarized the background information regarding this application. He said that

2/25/60

Falls Church was located about seven miles west of Washington, D. C., and had an estimated population of 10,000. The area was served by one State bank in Falls Church, operating two branches and having deposits of about \$20 million. Two competing banking offices were located two miles southwest at Seven Corners, and there was another competing office just outside the city limits. In view of the large shopping center at Seven Corners, a large amount of the business was going in that direction. Mr. Nelson felt that any expansion would probably be outside of the Falls Church corporation. With respect to competition, Mr. Nelson said the examiner investigating the application felt that business for the new bank would come from one of the existing banks. There was no evidence to indicate that the present banking needs of the community were not being cared for. Mr. Nelson noted that the 10 proposed directors of the bank planned to subscribe for only about 7 per cent of the stock, and there was some question as to whether the rest of the stock could be sold or whether the proposed management would be qualified to assume the responsibility for operation of a newly organized bank. This was somewhat of a border-line case, Mr. Nelson said; the Richmond Reserve Bank had recommended unfavorably and the Division of Examinations was inclined to go along with the Bank's recommendation.

Governor Mills agreed that this was a border-line case and felt that the Board should recommend against establishment of the bank.

2/25/60

-4-

Governor Robertson was of the opinion that the Board should recommend that the Comptroller approve the application for a charter. The \$20 million bank now located in Falls Church would not be hurt if the new bank should take some of its deposits, he said, and if the new bank did not sell all of its stock, it could not be established. On the other hand, if the stock were sold, Governor Robertson felt that the bank should be permitted to open for business. It was his feeling that, while growth was expected to take place beyond the Falls Church area, Falls Church itself was a growing community. For these reasons, Governor Robertson said that he would resolve any doubts he had in favor of competition and would, accordingly, recommend authorization of the bank.

Governor Shepardson observed that this was a close case, but he wondered if it might not be a question of setting up another small bank that would be absorbed into some other institution. With the trend in that direction, he felt there was not sufficient reason to justify going against the Richmond Bank's recommendation and, accordingly, he would support it.

Governor King agreed that this was a close case. He thought that the bank would have considerable competition from banks in Washington, D. C. He would not be troubled by the small amount of capital subscribed by directors, but he thought there was not enough evidence favoring approval to go against the recommendation of the Richmond Bank and the Division of Examinations.

2/25/60

Governor Szymczak stated that he would favor accepting the recommendation of the Richmond Bank.

Governor Balderston observed that he had doubts, but from the discussion this morning he was of the opinion that these entrepreneurs should be given a chance to start a bank. He felt that the Board should be greatly concerned about the perpetuation of unit banking in this country. In other words, if no young trees were planted, the forest would disappear. He would favor requesting the Richmond Bank to give further study to the application.

Approval was then given to the proposed letter to the Comptroller of the Currency recommending against approval of the application to establish a national bank in Falls Church, Virginia, with Governors Balderston and Robertson dissenting. A copy of the letter is attached hereto as Item No. 7.

Messrs. Thomas and Young, Advisers to the Board, and Noyes, Director, Division of Research and Statistics, entered during the above discussion.

Use of real estate broker for leasing space in Reserve Bank and branch buildings (Item No. 8). Pursuant to discussion at the Board meeting on February 24, there had been distributed a redraft of letter to the Federal Reserve Bank of New York interposing no objection to the present arrangement of using a real estate broker to rent excess space in the head office or annex buildings since it appeared that the Bank would be handicapped if the arrangement were discontinued. The proposed

2/25/60

-6-

letter would also indicate that the Board had no objection to use of a real estate broker to find a tenant for excess space in the new building at the Buffalo Branch if the Bank's own efforts to locate a suitable tenant failed.

In response to a question from Governor Szymczak, Mr. Farrell said that the Federal Reserve Bank of Kansas City and the Cincinnati Branch were using brokers to rent office space. If the Board approved the proposed letter to the New York Reserve Bank, Mr. Farrell thought a copy should be sent to all Reserve Banks.

Governor Robertson said that his reaction would be not to send a copy to the Reserve Banks. If a similar situation should arise at another Bank, the Board could give an appropriate answer, as in the case of the New York Bank.

The Board then approved a letter to the New York Reserve Bank interposing no objection to continuing the present arrangement of using real estate brokers to locate tenants for unused space in the head office or annex buildings and to use a real estate broker to rent unused space in the new Buffalo Branch building if the Bank's effort to find a suitable tenant failed. A copy of the letter is attached as Item No. 8.

Chairman Martin entered the meeting at this point.

Department of Justice offer of information on proposed acquisition of Wells Fargo Bank by American Trust (Item No. 9). Prior to the meeting there had been distributed copies of a letter dated February 18, 1960, from the Antitrust Division of the Department of Justice

2/25/60

-7-

offering to furnish a brief statement of competitive consequences based on its inquiry into the proposed acquisition by the American Trust Company of the Wells Fargo Bank, San Francisco, California. The letter noted that the Board had pending an application by American Trust Company for approval to operate the Wells Fargo Bank and its branches as branches of American Trust Company.

In discussing the recent inquiry from the Department of Justice, Mr. Hackley referred to the Board's letter of April 20, 1959, to Mr. Celler, Chairman of the House Committee on the Judiciary, concerning the merger then proposed of Guaranty Trust Company and J. P. Morgan & Co. At that time the Board had under consideration an application for the establishment of a branch by the State member bank continuing after the proposed merger. The letter to Mr. Celler answered questions as to whether the Board would seek the views of the Department of Justice regarding any application received by the Board in connection with the proposed merger and whether the Board would order a public hearing on the application. The letter to Mr. Celler also indicated that the merger did not require the Board's approval nor was there a stock acquisition under the Clayton Act; the Board's only jurisdiction was derived from section 9 of the Federal Reserve Act which required a State member bank to obtain the Board's approval before establishing a branch. The letter further pointed out that the Board did not plan to seek the views of the Department of Justice and it was not felt any useful purpose would be served by a public hearing.

2/25/60

-8-

Mr. Hackley then read portions of the letter to Mr. Celler and said he felt it might be well to include in the reply to the letter from the Justice Department much the same comment regarding the Board's authority and what it had to consider in the application of American Trust to establish as branches the present offices of Wells Fargo. However, he said, he did not see how the Board could refuse the information offered by the Department of Justice, but he suggested that if the Board took this view, the letter that the Justice Department might furnish should be related to the competitive effects of the branches rather than to the merger.

Governor Mills said he felt Mr. Hackley's position was correct. The decision the Board was required to make fell within the province of the Board's authority and therefore the Board was under obligation to proceed to reach a determination, and while it would be proper for the Department of Justice to file a statement, the Board should not delay or hint that it would delay its decision awaiting the advice of any agency not primarily involved in this matter.

Chairman Martin said that Mr. Hackley's suggestion seemed appropriate to him, and Governor Robertson suggested that the Board's reply indicate the hope that the Justice Department's views could be submitted promptly. He would not wish to have it appear that the Board was committing itself to wait until the Justice Department submitted its views. He understood the file on the case was now in circulation

2/25/60

-9-

to the Board and in the normal course could be expected to come up for consideration within a few days. He did not feel that the Board's decision should be held off indefinitely waiting for information from the Justice Department.

Mr. Hackley expressed the opinion that, in view of recent discussions on the bank merger bill with respect to obtaining the Attorney General's views on mergers, the Justice Department would furnish information without delay.

Governor King inquired whether the Justice Department was in a position to take any action prior to approval of the proposed merger, and Mr. Hackley replied that the Department's only jurisdiction was under the Sherman Antitrust Act which it could exercise at any time. Governor King then suggested that, if the Justice Department had an opinion on the matter, it should take forthright action under its statute rather than attempt to exercise its influence on the establishment of branches.

Mr. Hackley commented that the Justice Department's line of reasoning was probably that, while the Board would not be taking action on the merger, the merger probably would not go forward if the Board disapproved the branches. He thought the Justice Department would rather wait to see what action the Board took with respect to branches.

It was then agreed that a letter be prepared for Chairman Martin's signature advising the Justice Department that, while the only jurisdiction of the Board in the proposed merger of American Trust and

2/25/60

-10-

Wells Fargo Bank related to the establishment of branches by the continuing bank, the Board would be glad to receive any statement the Justice Department might wish to submit regarding the competitive consequences of the establishment by American Trust Company of branches that would be acquired as a result of the merger. It was understood that a copy of the letter, which is attached as Item No. 9, would be sent to American Trust Company, since the Department of Justice indicated it had sent a copy of its letter of February 18, 1960, to the bank.

Governor Mills then referred to the file containing recommendations prepared by the Division of Examinations on the American Trust Company application that was being circulated currently and expressed the opinion that the analysis was not as comprehensive as the circumstances demanded. He raised the question whether a more comprehensive type of analysis such as that prepared by the New York Banking Department in connection with mergers involving Chemical Bank New York Trust Company and Morgan Guaranty Trust Company should be prepared for this case.

Mr. Solomon said he felt that the type of information prepared by the New York State authorities to which Governor Mills referred was pertinent and essential in passing on mergers, but he had some question as to whether it might not be out of order for the Board to put itself in the position of trying to prevent the merger by passing on the branches. He referred to the Old Kent case in which the Board had jurisdiction only in the matter of establishing branches. He said that any other

2/25/60

-11-

position would have greatly jeopardized the Board's position in that case in that it could have been accused of trying to do indirectly something that it could not do directly. Against that background, he had concluded that it would not be appropriate to delve into some aspects of the merger.

Governor Mills felt that the Board's decision in the Old Kent case was actuated by the fact that, if the branches had been permitted, there would have been a lessening of competition. Contrary to Mr. Solomon, Governor Mills said he would find good reason for a further investigation of the competitive factors entering into the proposed merger, having the establishment of branches a by-product of this information.

Mr. Solomon said he had not meant to suggest that competition had not been studied in connection with the application regarding branches.

Messrs. Kenyon, Assistant Secretary, and Koch and Robinson, Advisers, Division of Research and Statistics, entered the room during the foregoing discussion.

Maximum interest rates under Regulation Q. Chairman Martin commented that since the most recent discussion by the Board of the maximum rates of interest payable under Regulation Q, Payment of Interest on Deposits, the Board had heard representatives of the Federal Reserve Bank of New York and a visit had been paid to his (the Chairman's) office by Mr. Howard J. Stoddard, President of The Michigan National Bank,

2/25/60

-12-

Lansing, Michigan. (The views of Mr. Stoddard had been made available to the other members of the Board through the distribution of pertinent documents.) The Chairman inquired whether, in the circumstances, any of the Board members had new ideas on the subject or had experienced a change of heart.

Governor Shepardson noted that much of the discussion had centered around the foreign-owned time deposits held by New York City banks. He asked whether it would be feasible or justifiable to allow a different maximum rate on time deposits for banks in New York City or any other city with a certain percentage of foreign-owned deposits. His question was, in other words, whether there was a feasible basis, if it should be deemed desirable, to make a distinction based on location.

Mr. Hackley replied that, under the law, the Board can prescribe different maximum rates subject to different conditions by reason of location. However, this had never been done. It was considered after the law was amended in 1935, and at that time the Board thought it would not be feasible to have different maximum rates based on differences in location. Any such fixing of maximum rates would clearly have to be based on reasonable differences in conditions as between areas or cities.

Asked by Governor Szymczak whether the fact that New York City banks have substantial foreign accounts would constitute a difference of condition, Mr. Hackley said that he thought it might.

2/25/60

-13-

Chairman Martin indicated that he doubted the feasibility of limiting a rate differential to foreign-owned deposits. He then asked to what extent it was thought that a higher permissible rate on time deposits in New York would attract funds from other parts of the country into New York City. For the sake of discussion, he suggested that the question might be put in terms of a higher maximum rate on time deposits held by banks in central reserve cities.

Mr. Thomas replied that he could see no justification for such a move and that he would consider it a violation of the principles underlying the statute. Senator Glass, he noted, had in mind discouraging the flow of funds into the central reserve cities. If New York and Chicago banks could pay higher rates of interest than other banks on time deposits, open account, they would certainly draw funds into those cities.

In further discussion of this point, it was noted that New York City banks, with a higher permissible interest rate, presumably could compete effectively within New York State for State and local government deposits, and banks located elsewhere in the State might feel that there had been discrimination. Question was raised whether the fact that many corporations borrow in New York and spend their money elsewhere tended to result in a flow of funds out of New York, and the statement made in response was that in the postwar period it had been the general pattern for the loan increase in New York to be greater than for other banks, and for the deposit increase to be less.

2/25/60

-14-

There followed comments by Mr. Thomas on the conditions that gave rise to the legislation prohibiting the payment of interest on demand deposits and providing for regulation of the interest paid on time and savings deposits. Mr. Thomas said he was not certain how much money New York and Chicago banks could attract if permitted to pay higher rates on time deposits than banks elsewhere. Actually, they would be competing mostly against the Treasury bill rate; and if funds were drawn away from the bill market, the bill rate would tend to go up. A principal question was how the banks would invest funds they attracted.

Governor Balderston commented that he had not heard discussion on the point raised by the representatives of the New York Reserve Bank that New York City could not function effectively as the international financial center of the world unless the New York City banks that do international business were permitted to compete not only against the bill market but against London and other financial centers. He thought this might be answered in terms that the economy of the country would not be substantially affected if deposits were removed from New York City banks and placed in bills. The Treasury would be somewhat better off, but he was not sure about the matter of New York City's relationship to other financial capitals.

Mr. Thomas inquired whether it was considered desirable to encourage the New York City banks to compete for "hot money". Mr. Young

2/25/60

put the matter in terms that for the New York City banks to gather funds and place them in domestic instruments, such as the Treasury bill, tended to make the banks vulnerable to capital movements to the extent that the time deposits were "hot money." Mr. Thomas added that if foreign parties place their funds in Treasury bills, they must run the risk of whatever fluctuation there might be in the bill rate, for in that event the New York banks would not stand as an intermediary. Mr. Noyes noted that Messrs. Hayes and Roosa had asserted that bank-customer relationships tended to make the foreign money less volatile. The fact that the banks had held foreign time deposits at all in recent months indicated that there might be some merit in that argument.

Governor Robertson inquired whether there was thought to be merit in the point made by Mr. Hayes that the extent to which New York banks engage in foreign business is dependent in large part on the deposits they get from foreign countries, to which Mr. Robinson replied that most of the banks competing for foreign balances operate branches abroad and can offer dollar-denominated deposits.

There followed discussion of information bearing on the actual and potential use of dollar-denominated deposits at foreign branches of American banks, after which Governor Szymczak commented that the availability of foreign-owned deposits to New York banks is related to their ability to perform various services, not only for their depositors but others in foreign countries. Chairman Martin added that unless the New York banks provide direct benefits to foreign customers, it would seem

2/25/60

-16-

logical that they were not going to be able to hold them. Mr. Thomas remarked that a large part of the foreign time deposits represent official funds, and Chairman Martin then commented it might be difficult to classify central bank funds as "hot money." He added that if foreign deposits are held as time deposits of six-month maturity, the funds are locked in for that period, which is better than in the case of 90-day bills.

Mr. Thomas then said that a case could be made for a higher rate of interest on time certificates of deposit, with as many safeguards as possible against the deposits being paid before maturity. However, he did not see why any such higher rate should be limited to foreign-owned time deposits held at New York City banks.

Mr. Noyes reported that the Board's staff was giving further study to whether it would be feasible to adopt an automatic formula which would relate the maximum savings deposit rate to something such as a moving average of long-term rates, and the maximum rate on time certificates of deposit to a moving average of short-term rates.

Mr. Robinson commented that such an approach presented certain operating problems. In general principle, it involved the extent to which it might be appropriate to use a formula in the administration of a discretionary power. Furthermore, if a formula was used, at least after an experimental period, it would probably have to be accepted under all circumstances.

2/25/60

-17-

Chairman Martin indicated that the Board would await the results of the staff study.

Governor Shepardson then referred to comments by the representatives of the New York Reserve Bank, particularly Mr. Crosse, with regard to the extent to which the factor of safety can be controlled through the examining function. He believed it had been the position of the Board's staff that this would be difficult because of time lags and other factors.

Mr. Solomon said he thought the general feeling of examiners would be that this would present some rather difficult problems. He added that he had not found Mr. Crosse's arguments persuasive.

After Mr. Solomon had presented further views on this point, Governor Robertson noted that in most discussions of this subject the same question had come up; that is, the effect on the banking system of the payment of higher rates of interest and the ability of the banking system to meet the higher costs involved. This, he noted, was not solely the problem of the Federal Reserve, but also involved the Comptroller of the Currency and the Federal Deposit Insurance Corporation. He suggested that in order to have a rounded picture it might be desirable to meet with representatives of the other Federal banking agencies.

It being agreed that discussion with the other Federal supervisory agencies would be desirable, it was understood that Mr. Solomon would arrange for such discussions and thereafter report to the Board.

2/25/60

-18-

In further discussion, members of the Board suggested that if no action were taken to increase the maximum permissible rates, it would be desirable to have the reasons available and clearly in mind.

The discussion concluded with references to the views stated by the Federal Advisory Council at its meeting with the Board on February 16.

Messrs. Robinson, Nelson, and Hooff then withdrew from the meeting, and Mr. Dembitz, Associate Adviser, Division of Research and Statistics, entered.

Statement regarding reserve city banks permitted to carry reduced reserves. Governor Balderston raised the question whether it would be desirable to publish a statement concerning reserve city banks that the Board had authorized to carry reduced reserves. At his request, Mr. Farrell had prepared and distributed a draft of a possible press statement for consideration of the Board.

Mr. Hackley referred to an article in the February 23 American Banker which criticized the Board for not publishing in the Federal Register names of banks that had been authorized to carry reduced reserves and for delay in issuing regulations outlining standards under which member banks might request a change in their reserve status. After pointing out various inaccuracies in the American Banker article, he said that the Board had never published in the Federal Register actions of this type and there was no legal requirement for doing so. If it

2/25/60

-19-

should be decided to publish statements concerning such authorizations, Mr. Hackley felt this would suggest that the Board should also release to the press statements concerning other actions not now publicized, such as approval of applications for national banks to exercise trust powers, approval of State member bank applications to establish branches, and so on. In the event that it should be decided to issue a statement concerning banks authorized to carry reduced reserves, Mr. Hackley questioned whether it would be proper to refer to the reserve classifications of individual banks. The Board has authority to classify reserve cities and to permit banks in reserve cities to carry reduced reserves, but strictly speaking, the law provided for classification of cities, not banks.

After Mr. Molony said he could see no reason why a press release should not be issued along the general lines of the proposed draft, Chairman Martin suggested that, as an alternative, it might be desirable to publish regularly in the Bulletin a more complete record of Board actions on matters of this kind. While their inclusion in the Bulletin might not get particular attention as would a press statement, the information would be in the Board's recognized monthly publication for anyone interested.

Governor Szymczak commented that, if a statement such as that prepared by Mr. Farrell were issued now, it would likely raise questions as to the standards used in granting permission to individual banks to

2/25/60

-20-

carry reduced reserves, and the Board was not ready to state such standards.

Governor Mills said this was also a concern of his. Release of the proposed statement might raise questions with many banks that could not qualify for reduced reserves under the procedures that were being used by the Board.

Mr. Hackley stated that the legislation last year made it clear that the Board had authority to grant permission to individual banks in reserve cities to carry lower reserves but the law did not require the Board to establish standards.

Governor Robertson said that the discussion indicated to him that too much emphasis was being placed on an adverse newspaper article. He felt it should be forgotten. He favored formulation of rules for permitting individual banks to carry reduced reserves, and he would consider carefully any proposal for announcement of individual banks that had been permitted to carry such reduced reserves. However, he would prefer waiting until the rules had been established and perhaps a statement had been issued announcing such rules.

Chairman Martin said that he thought Governor Robertson made a good point. He was of the opinion that the Board should forget the adverse newspaper article on this subject, but he said that the Board should not be in the position of hiding anything that could be released in a legitimate way, and he reiterated his earlier suggestion that the

2/25/60

Federal Reserve Bulletin be used as a means for announcing all actions of the Board that appropriately could be made public.

After Mr. Molony had indicated in response to a question from Governor Robertson that he would not feel at liberty under the Board's Rules of Organization to give out the names of individual banks that had been authorized to carry reduced reserves, Governor Robertson suggested that this was information of a type that should be furnished if requested.

There followed a brief discussion of the provision in the Board's Rules regarding unpublished information and of the extent to which the Board and the Reserve Banks had made known which banks were authorized to carry reduced reserves.

Chairman Martin then again suggested that the matter of announcing various Board actions of the sort under discussion be reviewed and that the Bulletin be used as a medium for publishing all such decisions as could reasonably be disclosed.

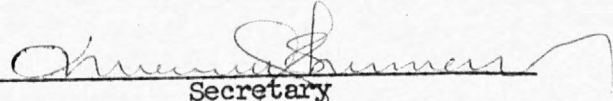
On the basis of the discussion, it was understood that no statement would be issued at this time concerning reserve city banks authorized to carry reduced reserves, but that the staff would review this and other matters for possible announcement along the lines suggested by Chairman Martin.

The meeting then adjourned.

2/25/60

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 10) approving the designation of specified persons as special assistant examiners.

There had been received at the Board's offices an agreement executed under date of February 19, 1960, by The Gallatin Company, Inc., New York, New York, in accordance with the requirements of section 25 of the Federal Reserve Act. Accordingly, pursuant to the procedure contemplated by Board action on February 4, 1960, there was sent today to The Hanover Bank the letter (attached as Item No. 11) granting permission for that bank to invest approximately \$280,000 in The Gallatin Company, Inc., and granting permission to the latter company to invest approximately US\$280,000 in stock of The Hanover Bank Trustee Company Limited, a trust company to be organized under the laws of England. A copy of the letter was sent to the Federal Reserve Bank of New York.


Secretary

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

Item No. 1
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



Board of Directors,
Liberty Bank of Buffalo,
Buffalo, 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 by Liberty Bank of Buffalo of a branch in the South Shore Plaza Shopping Center at the intersection of Southwestern Boulevard and Rogers Road, Town of Hamburg, New York, instead of the southeast corner of Southwestern Boulevard and Rogers Road, as described in the Board's letter of February 2, 1960. This approval is given provided the branch is established within nine months from the date of this letter and formal approval of the State authorities is in effect at the time of 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. 2
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



Board of Directors,
The Savings Deposit Bank and Trust Company,
Elyria, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch at Lake Avenue and Griswold Road in Elyria Township, Ohio, by The Savings Deposit Bank and Trust Company. 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.

777

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

Item No. 3
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



Board of Directors,
The Lorain Banking Company,
Lorain, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch at the northwest corner of North Ridge Road and Leavitt Road in the Village of Amherst, Ohio, by The Lorain Banking Company, Lorain, Ohio. 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. 4
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



Board of Directors,
Union Bank and Trust Company,
Kokomo, 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 502 North Main Street, Kokomo, Indiana, by Union Bank and Trust Company, Kokomo, Indiana, provided the branch is established within six months 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. 5
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



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

Dear Mr. Wolcott:

Reference is made to your letter of February 8, 1960, concerning the application of The Cynthiana State Bank, Cynthiana, Indiana, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs that the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

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
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

This refers to your letter of February 8, 1960, requesting the Board's opinion as to whether the practice by The West National Bank, West, Texas, of offering to pay \$1 to the church of any depositor's choice for the deposit of \$25 or more in a savings or checking account amounts to an indirect payment of interest.

It is understood that the payment is made to the depositor's church only at the time of the opening of a new account. In the circumstances, the Board is of the opinion that the making of such nominal payment may properly be considered as an advertising expense, provides no financial compensation to the depositor for the use of his money, and is not an indirect payment of interest on his deposit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.

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 October 23, 1959, submitting copies of an application to organize a national bank at Falls Church, Virginia, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation made by an examiner for the Federal Reserve Bank of Richmond indicates that the proposed capital structure and earnings prospects would be satisfactory. However, there is some question as to whether the proposed management would be sufficiently qualified to assume the responsibility for operation of a newly organized bank and there does not appear to be sufficient need for the bank at this time. Accordingly, the Board of Governors does not feel justified in recommending approval of the application.

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.

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

Item No. 8
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York 45, New York.


Dear Mr. Treiber:

This refers to your letter of January 8, 1960, commenting on the Board's letter of December 7, 1959, about use of real estate brokers in finding tenants for unused space in new Reserve Bank buildings or additions.

From the statements in your letter, it appears that your Bank feels it would be handicapped in renting excess space in the head office or annex buildings without using a real estate broker. In this light, the Board will interpose no objection to your continuing the present arrangement.

Your letter states that it is believed the reasons outlined for continuing the established practice in New York would warrant the use of a real estate broker in Buffalo to find a tenant for the unused space in the new building there if the Bank's own efforts to find a suitable tenant do not succeed. Such an eventuality is, of course, contemplated within the terms of the Board's December 7, 1959, letter.

Very truly yours,


Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
2/25/60

OFFICE OF THE CHAIRMAN

February 25, 1960.

Mr. Robert A. Bicks,
Assistant Attorney General,
Department of Justice,
Washington 25, D. C.

Dear Mr. Bicks:

This is in response to your letter of February 18, 1960, regarding the submission of a statement by your Division with respect to the competitive consequences of the proposed merger of American Trust Company, San Francisco, California, and Wells Fargo Bank.

As you know, the proposed merger does not involve any diminution of capital or surplus and, therefore, under present law, does not require the Board's approval; nor will the proposed transaction involve a bank stock acquisition subject to section 7 of the Clayton Act. The only jurisdiction of the Board in the matter relates to the establishment of branches by the continuing bank at locations of present offices of the Wells Fargo Bank, since the establishment of such branches requires the Board's approval under section 9 of the Federal Reserve Act.

Considerations affecting the question whether the branches should be approved appear to be somewhat different from those relating to the merger itself, particularly with respect to competitive effects. However, the Board will, of course, be glad to receive and consider any statement that your Division may wish to submit regarding the competitive consequences of the establishment and operation by American Trust Company of branches that would be acquired by it as a result of this merger.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

784

Item No. 10
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.

Mr. G. T. Quast, Chief Examiner,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Quast:

In accordance with the request contained in your letter of February 18, 1960, the Board approves the designation of the following named employees of your Bank as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of member banks except the institution indicated immediately above their names:

Central National Bank of Cleveland
Cleveland, Ohio

Donald Cruse

The National City Bank of Cleveland
Cleveland, Ohio

A. J. Rohn

The Central Trust Company
Cincinnati, Ohio

Charles C. Glass

The Provident Bank
Cincinnati, Ohio

James Kelly

Mr. G. T. Quast

- 2 -

The authorizations heretofore given your Bank to designate the above named individuals as special assistant examiners are hereby canceled.

The name of Grant Kirchhoff has been deleted from the list of special assistant examiners.

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
2/25/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 1960.



The Hanover Bank,
70 Broadway,
New York 15, New York.

Gentlemen:

This refers to the application of your Bank dated December 7, 1959, transmitted through the Federal Reserve Bank of New York, for permission of the Board of Governors, under the provisions of Sections 9 and 25 of the Federal Reserve Act, to purchase and hold stock in The Gallatin Company, Inc., New York, New York (American Company). Reference is also made to the agreement dated February 19, 1960 executed by the American Company in accordance with the requirements of Section 25 of the Federal Reserve Act, by which such corporation agrees to restrict its operations and conduct its business in the manner set forth therein.

After consideration of the application and agreement, the Board of Governors of the Federal Reserve System approves the application and grants permission to The Hanover Bank, New York, New York, subject to all of the provisions of Sections 9 and 25 of the Federal Reserve Act, to purchase and hold stock in The Gallatin Company, Inc., in the amount of approximately \$280,000.

Upon completion of the organization of The Gallatin Company, Inc., it is requested that the Board of Governors be furnished with copies of the articles of incorporation and by-laws of the corporation.

The Board of Governors also grants permission for The Gallatin Company, Inc. to purchase and hold, in the amount of approximately US\$280,000 (equivalent), stock in The Hanover Bank Trustee Company Limited (English Company), a trust company to be organized under the laws of England, which will operate at the London branches of The Hanover Bank.

The Hanover Bank

-2-

Upon completion of the organization of the English Company, it is requested that the Board of Governors be furnished with copies of the articles of association and by-laws of the company. Please advise the Board of Governors, through the Federal Reserve Bank of New York, when the English Company is established and opened for business.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.