

Minutes for March 8, 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

WM

Gov. Szymczak

MS

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

LS

Gov. King

[Signature]

Minutes of the Board of Governors of the Federal Reserve System  
on Tuesday, March 8, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. Robertson  
Mr. King

Mr. Sherman, Secretary  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on March 7, 1960, of the rates on discounts and advances in its existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Items circulated to the Board. The following items, which had been circulated to the members of 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 the Federal Reserve Bank of Boston waiving the assessment of a penalty incurred by the Rutland County National Bank of Rutland, Vermont, because of a deficiency in its required reserves.	1
Letter to the McDonald State Bank, North Platte, Nebraska, granting its request for permission to exercise certain fiduciary powers.	2

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Item No.

Letter to the Presidents and Federal Reserve Agents of all Federal Reserve Banks regarding the construction of extra vault facilities in the new Salt Lake City Branch building to provide storage for emergency supplies of currency.

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Application to organize a national bank in Boulder, Colorado.

(Item No. 4). In conformance with the understanding reached at yesterday's meeting, Mr. Solomon reported that he had telephoned the Kansas City Reserve Bank regarding the application to organize a national bank in Boulder, Colorado, and that in the absence of President Leedy he had spoken to First Vice President Koppang, who was familiar with the case. Mr. Koppang said that the Reserve Bank had no strong feelings regarding this case and that its recommendation that the application be denied had rested upon the view that another bank in Boulder at this time seemed slightly premature. However, the Reserve Bank would be delighted if the Board wished to recommend favorably on this application to the Comptroller of the Currency. Mr. Solomon said that Mr. Koppang added that it was his understanding the National Bank Examiner had probably recommended approval of the application.

Following a discussion, unanimous approval was given to a letter to the Comptroller of the Currency recommending that he give favorable consideration to the application to organize a national bank in Boulder, Colorado. This letter is attached Item No. 4.

Mr. Fauver, Assistant to the Board, then entered the room.

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Proposed American Trust Company--Wells Fargo merger and branches.

Governor Mills referred to the Board's discussion on February 25, 1960, of a letter dated February 18, 1960, from Acting Assistant Attorney General Bicks of the Anti-Trust Division of the Department of Justice, regarding the proposed acquisition by the American Trust Company (San Francisco) of the Wells Fargo Bank, so far as section 1 of the Sherman Act of 1890 was concerned, and he asked what the status of this question was at the moment.

Mr. Solomon replied that a letter was delivered late yesterday afternoon by the Department of Justice, with which the Department transmitted a memorandum presenting reasons why the Board should deny authority to operate the present offices of Wells Fargo Bank as branches of the continuing bank. The reasons pertained more to the proposed merger between American Trust Company and Wells Fargo Bank than to the application for permission to operate branches. Mr. Sherman said that copies of the memorandum from the Department of Justice were being distributed this morning, and that the file in this case was still in circulation among the members of the Board.

Application by First Bank Stock Corporation in re Eastern Heights State Bank of St. Paul, Minnesota. Governor Mills inquired as to the current status of the staff's consideration of the application of First Bank Stock Corporation to acquire stock of Eastern Heights

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State Bank, St. Paul, Minnesota, with reference to which oral argument had been held on January 6, 1960. In reply it was indicated by Messrs. Hackley and Solomon that the Legal Division and the Division of Examinations had prepared memoranda on this subject that would be distributed to the Board today or tomorrow. Mr. Hackley added that this was an important application since an adverse decision by the Board would almost certainly be appealed.

Letter to the Federal Reserve Bank of Atlanta (Item No. 5).

There had been circulated to the Board a draft letter to the Federal Reserve Bank of Atlanta interposing no objection to proceeding with the preparation of preliminary plans and specifications for the proposed New Orleans Branch building.

In connection with this item, Governor Balderston said that following the discussion at yesterday's meeting, when the Board authorized the Federal Reserve Bank of Kansas City to proceed with plans for the addition to the Oklahoma City branch building, he checked into the amount of uncommitted funds under Congressional authorization for branch buildings and discovered that only about \$1-1/2 million was left uncommitted as of current date, which would be insufficient to finance new construction planned at either the Denver or New Orleans branches. Accordingly, while he had no objection to authorizing the preparation of plans for such construction and the paying of architects' costs, he thought that all concerned should keep in mind that there was

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insufficient money for either of these projects and that the Board must go to the Congress for an additional authorization before actual construction could be undertaken.

During the discussion that followed, Mr. Farrell observed that the letter from First Vice President Patterson of the Atlanta Reserve Bank, dated January 4, 1960, suggested that the Atlanta Bank was assuming the Board would request funds for new branch building construction from the Congress early in January 1960. Governor King replied that possibly Mr. Patterson had included this reference in his letter as a result of the conversation that he (Governor King) had had with President Bryan of that Bank last fall. In that conversation he had told President Bryan that it would be advisable for the Atlanta Bank to proceed with its plans since, if the Board were to make a request of Congress this year, it would be desirable to do so early in the session.

Unanimous approval was then given to the letter to the Atlanta Reserve Bank (attached Item No. 5) with the understanding that the Atlanta Reserve Bank would be advised informally of the Board's decision not to request additional funds for new branch building construction from the Congress at this session.

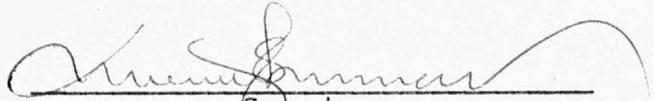
The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from Mr. Sherman, Secretary of the Board, Governor Robertson, acting

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in the absence of Governor Shepardson, today approved on behalf of the Board the appointment of Vivienne O. Goebel as Minutes Clerk in the Office of the Secretary, for a temporary period ending about July 1, 1960, with basic annual salary at the rate of \$4,040, effective the date she assumes her duties.

  
Secretary

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

Item No. 1  
3/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 8, 1960.

Mr. Earle O. Latham, First Vice President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Latham:

This refers to your letter of February 19, regarding a penalty of \$244.11 incurred by the Rutland County National Bank of Rutland, Vermont, for a deficiency of \$106,070 in its required reserves for the biweekly computation period ended February 10, 1960.

It is noted that the deficiency resulted from the fact that, although the bank's management knew of the change from a semimonthly to a biweekly computation period for computing reserves, it failed to take this factor into consideration in estimating its daily reserve position; anticipating a deficiency in its reserves for the reserve computation period which it thought would end on February 15, it borrowed from your Bank \$600,000 on February 10 for five days; and, if it were not for the oversight regarding the close of the computation period, it would have borrowed a larger amount for a single day in order to overcome the deficiency.

In view of the short period since the change from a semimonthly to a biweekly reserve computation period for country member banks, and the recommendation of your Bank, the Board authorizes your Bank to waive the assessment of the penalty of \$244.11.

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  
3/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 8, 1960.

Board of Directors,  
McDonald State Bank,  
North Platte, Nebraska.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to act in certain fiduciary capacities.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to McDonald State Bank to act as executor and administrator, with the understanding that your bank will not accept fiduciary appointments of other kinds without first obtaining the permission of the Board.

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  
3/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 8, 1960.



Dear Sir:

You may recall that, as part of the System's defense planning, the Board authorized the construction of extra vault facilities in the new Salt Lake City Branch building to provide storage for emergency supplies of currency. Partitions and other fixtures have now been installed in this area, and it is ready for use. It consists of an entire vault level capable of holding about 180 million notes.

In view of the uncertain status of the proposal to construct vault facilities at Fort Riley, Kansas, the Board believes that it would be desirable to put an emergency supply of currency in the new Salt Lake City vault as soon as possible. Under the plan contemplated--

- (1) Some of the Federal Reserve notes held in Washington for the various Reserve Banks, now aggregating about 240 million notes, would be shipped to Salt Lake City. They would be held in dead storage until it seemed desirable to roll them over, possibly in five or six years.
- (2) The Federal Reserve Bank of San Francisco would receive from the other Reserve Banks, and the Agent at the San Francisco Reserve Bank would receive from the other Agents, powers of attorney to act on behalf of the other Banks and Agents, respectively, in holding joint custody of the unissued notes.

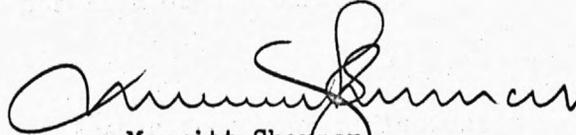
In order that this proposal may be carried out to the best interest of all concerned, it would be helpful to have an expression of any preference or objection your Bank might have with regard to the emergency storage of your Bank's notes at Salt Lake City, and an indication of the amount and denominations that might be stored. One

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factor to be kept in mind in this connection is the additional shipping charges that would be involved if and when the emergency supply in Salt Lake City is rolled over and shipped to the Banks of issue for use in normal operations.

This letter is being sent to all Presidents of Federal Reserve Banks and to all Federal Reserve Agents.

Very truly yours,



Merritt Sherman,  
Secretary.

TO ALL FEDERAL RESERVE AGENTS AND PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 4  
3/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 8, 1960.



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

Attention Mr. G. C. Fleming,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 2, 1959, enclosing copies of an application to organize a national bank at Boulder, Colorado, 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 Kansas City indicates that the organizers have agreed to provide a capital structure of \$400,000 instead of \$300,000 shown in the application. This revised capital structure appears to be adequate. This report also discloses generally favorable findings with respect to the proposed management of the bank. While there is some question as to need for the bank at this time and the future earnings prospects are only fair, it is indicated that future growth will occur in the area and the institution will provide more convenient facilities for local residents. Accordingly, the Board of Governors recommends favorable consideration 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. 5  
3/8/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 8, 1960.

Mr. Harold T. Patterson,  
First Vice President and  
General Counsel,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Patterson:

This refers to your letter of January 4, 1960, together with attachments and schematic drawings for the proposed New Orleans branch building.

In accordance with the Board's letter of May 6, 1959, and the National Shelter Policy, the Board would wish to have provision for a fallout shelter in the new building at New Orleans. During further planning, it is assumed that consideration will be given to the inclusion of the fallout shelter in space that would be part of an area used in normal operations, in line with provisions of the OCDM directive.

Referring to the last sentence of the first paragraph of your letter, the Board expects at an appropriate time to request legislation providing authorization for further branch bank building construction, or possibly the repeal of the present limitation.

In the meantime, there would be no objection to your Bank's proceeding with the preparation of preliminary plans and specifications.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

