Minutes for March 18, 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
Gov. Szymczak
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. King
Minutes of the Board of Governors of the Federal Reserve System

on Friday, March 18, 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. Shepardson
Mr. King
Mr. Sherman, Secretary
Miss Carmichael, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on March 17, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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:

Letter to the Comptroller of the Currency recommending favorably with respect to the application of The Industrial & Savings Bank of Pensacola, Pensacola, Florida, to convert into a national banking association.

Item No. 1
Letter to the Colonial Trust Company, New York City, approving the establishment of a branch at Rockaway Boulevard and 133rd Avenue, Borough of Queens.

Letter to the Long Island Trust Company, Garden City, New York, approving the establishment of a branch in the village of Mineola.

Letter to the Manufacturers Trust Company, New York City, approving the establishment of a branch at 159-29 Jamaica Avenue, Jamaica, Queens County.

Letter to The First National City Bank of New York, New York City, consenting to expansion of the activities of the Orchard Road Branch, Singapore, to full-scale branch operations.

Letter to the Federal Reserve Bank of Boston waiving the assessment of a penalty incurred by the Somerville National Bank of Somerville, Massachusetts, because of a deficiency in its required reserves.

Letter to the Federal Reserve Bank of St. Louis expressing the opinion that a certain loan proposed to be made by the Mercantile Trust Company would not be subject to Regulation U.

Letter to The Farmers State Bank of Fort Morgan, Colorado, granting its request for permission to exercise fiduciary powers.

Letter to the Union State Bank, Carrizo Springs, Texas, waiving the requirement of six months’ notice of withdrawal from membership in the Federal Reserve System.

Letter to the Federal Reserve Bank of Minneapolis approving the payment of salary to a Vice President and Economic Adviser at the rate fixed by the Board of Directors.

With reference to Item No. 1, Governor Mills noted that industrial banks usually carry a heavy load of personal and consumer loans and the
supposition has been that they may desire to become commercial banks so that they will have another method of attracting funds to proceed in the same field in which they have previously been engaged. He asked whether the staff had reviewed the operation of industrial banks that had converted to commercial banks in order to determine whether they had lived up to commercial bank standards. Mr. Solomon replied that such a review had not been made, but he assumed that these banks under supervision had met reasonable requirements. He noted that a number of industrial banks had converted into commercial banks and none of these were among the problem banks. Mr. Nelson stated that The Industrial & Savings Bank of Pensacola, Pensacola, Florida, apparently wanted to get into the commercial banking business, and he assumed that in the future the small loans of that bank would only be a part of their business as a commercial bank.

Messrs. Johnson, Nelson, and Goodman then withdrew.

Report of examination of Chicago Bank. The report of an examination of the Federal Reserve Bank of Chicago made by the Board’s examining staff as of November 20, 1959, had been circulated to the Board along with the customary supplemental memoranda.

At the Board’s request, Mr. Smith reviewed the highlights of information developed through the examination. Nothing in his comments was deemed to require further inquiry or action on the part of the Board.

The meeting then adjourned.
March 18, 1960.

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated February 15, 1960, enclosing copies of an application to convert The Industrial & Savings Bank of Pensacola, Pensacola, Florida, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

A field investigation of this application was not made by the Federal Reserve Bank of Atlanta but a report has been furnished based upon a review of the latest reports of examination of the bank made by the Federal Deposit Insurance Corporation. Information contained in this report discloses generally satisfactory findings with respect to the financial history of the bank, the adequacy of its proposed capital structure, future earnings prospects, and character of management. While it is reported there is some question as to need for another commercial banking institution in Pensacola at the present time, the applicant is now providing certain banking functions for a sizable number of customers and it appears that the expansion of its services in the commercial banking field would be an added convenience to the community. Accordingly, the Board of Governors recommends favorable consideration of the application of The Industrial & Savings Bank of Pensacola to convert into a national banking association.

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 Directors,
Colonial 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 the northwest corner of Rockaway Boulevard and 133rd Avenue, Borough of Queens, New York, by Colonial Trust Company, 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.
March 18, 1960.

Board of Directors,
Long Island Trust Company,
Garden City, New York.

Gentlemen:

Pursuant to your request submitted to the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by the Long Island Trust Company, Garden City, New York, on the south side of Jericho Turnpike, 100 feet west of its intersection with Sheridan Boulevard, in the incorporated village of Mineola, Town of North Hempstead, Nassau County, New York. This approval is given provided the branch is established within one year 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 Directors,
Manufacturers Trust Company,
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 Manufacturers Trust Company, New York, New York, of a branch at 159-29 Jamaica Avenue, Jamaica, Queens County, New York. This approval is given provided the branch is established within six 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.
March 18, 1960.

Mr. F. T. Mitchell, Senior Vice President,
The First National City Bank of New York,
55 Wall Street,

Dear Mr. Mitchell:

In a letter dated November 7, 1958, the Board of Governors authorized The First National City Bank of New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish an additional branch in Singapore, Colony of Singapore, to be located in the Shaw Building, Orchard Road, Singapore, and to operate and maintain such branch subject to the provisions of such Section. In authorizing the establishment of the branch, it was understood that the operation contemplated was that of an office or facility with activities limited to current and savings accounts, demand drafts, payrolls and similar services.

In accordance with the request contained in your letter of February 26, 1960, and on the basis of the information furnished, the Board of Governors hereby consents to the expansion of activities of the Orchard Road Branch to full-scale branch operations.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
March 18, 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 March 1, regarding a penalty of $254.67 incurred by the Somerville National Bank of Somerville, Massachusetts, on a deficiency of $110,662 in its required reserves for the biweekly computation period ended February 24, 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 29, it was estimating the amount needed to be borrowed in order to eliminate the deficiency when it discovered that the computation period had ended two days previously; the bank has had continuous excess reserves, sometimes in substantial amounts, for a period of more than one year; and that it has not had a deficiency resulting in a penalty since March 1958.

In view of the relatively 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 $254.67.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. George E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

This is in reply to your letter of February 10, 1960, enclosing two letters from the Mercantile Trust Company, St. Louis, Missouri, dated November 6, 1959 and February 5, 1960, concerning Regulation U.

Mercantile Trust Company wishes to make a stock-secured loan for the purpose of enabling the borrower to pay off a loan in the same bank which also is secured by stock. According to Mercantile's November 6, 1959 letter, the loan which is to be paid off "was not subject to Regulation U at the time it was made". This necessarily means that said secured loan was not for the purpose of purchasing or carrying registered stock.

Regulation U does not apply to a bank loan unless it is "for the purpose of purchasing or carrying" registered stock. The proposed loan clearly is not for the purpose of purchasing registered stock, since the borrower's ownership of the stock involved is not being acquired by him through purchase, but as the recipient of part of a decedent's estate. The proposed loan also would not be for the purpose of carrying registered stock, because a loan is not for "carrying" (under the recent amendment of section 221.3(b)(1) of Regulation U) unless its purpose "is to enable the borrower to reduce or retire indebtedness which was originally incurred" to purchase registered stock, and the indebtedness to be retired in this case is not of that nature.

It follows that the proposed loan is not for the purpose of purchasing or carrying registered stock, and therefore is not subject to Regulation U.
In transmitting the Board's conclusion to Mercantile Trust Company, please emphasize that it is based on the Board's understanding, derived from the above-quoted statement in Mercantile's letter, that the original loan was not a "purpose loan".

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
The Farmers State Bank of Fort Morgan, Colorado,
Fort Morgan, Colorado.

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 The Farmers State Bank of Fort Morgan, Colorado, Fort Morgan, Colorado, to act as executor, administrator and guardian, 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 Directors,
Union State Bank,
Carrizo Springs, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your letter of February 18, 1960, and the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of such withdrawal. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, as amended effective September 1, 1952, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be sent to the Federal Reserve Bank of Dallas for disposition.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System it will be necessary that application be made to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. Frederick L. Deming, President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Deming:

The Board of Governors approves the payment of salary to the following officer of the Federal Reserve Bank of Minneapolis, for the period May 1 through December 31, 1960, at the rate indicated, which is the rate fixed by your Board of Directors as reported in your letter of March 10, 1960:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
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<tbody>
<tr>
<td>J. Dewey Daane</td>
<td>Vice President and Economic Adviser</td>
<td>$19,000</td>
</tr>
</tbody>
</table>

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.