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 Thursday, March 31, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Shay, Legislative Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Young, Assistant Counsel

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:

Letter to The First National City Bank of New York, New York City, approving a temporary change in the location of its branch in the Hato Rey area of San Juan, Puerto Rico.  

Letter to The Huron County Banking Company, Norwalk, Ohio, approving the establishment of a branch at Linwood Avenue and Monroe Street.  

Letter to The Sylvania Savings Bank Company, Sylvania, Ohio, approving the establishment of a branch at 5615 Summit Street.
Letter to the Union Trust Company of Maryland, Baltimore, Maryland, approving an extension of time to establish a branch in Dundalk.

Letter to the Irwin Union Bank and Trust Company, Columbus, Indiana, approving the establishment of an in-town branch.

Letter to the Portland Trust Bank, Portland, Oregon, approving an extension of time to establish a branch in The Dalles, Oregon.

Letter to The First Bank of Alabaster, Alabaster, Alabama, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

Letter to Northern Trust Company, Chicago, Illinois, enclosing lists of (1) member banks authorized to accept drafts or bills to furnish dollar exchange, and (2) countries with respect to which dollar exchange drafts or bills may be accepted.

With respect to Item No. 8, Mr. Conkling stated that the question whether the requested list of banks should be furnished the Northern Trust Company had been discussed with several members of the Board's staff and with the New York Reserve Bank. Although none could recall any instance when this list of banks had been furnished to anyone other than System officials, no strong feelings were expressed that it should not be furnished. He added that should the Board see fit to approve this request, it would be helpful to have an understanding that subsequent requests could be met without further reference to the Board. Accordingly, it was understood that approval of the letter to Northern Trust Company would
be regarded as a general authorization for making public similar information hereafter.

Report on H.R. 9184 regarding approval of applications for the establishment of branches of banks (Item No. 9). There had been circulated a draft of letter to Chairman Spence of the House Committee on Banking and Currency reporting on H.R. 9184, "To amend section 9 of the Federal Reserve Act as amended, section 18(d) of the Federal Deposit Insurance Act, and section 5155 of the Revised Statutes as amended," to provide for approval of branches of national and State member banks by the Federal Deposit Insurance Corporation. Accompanying the draft letter was a memorandum from the Legal Division indicating the reasons for the position taken in the letter, which recommended unfavorably on the bill.

Mr. Young observed that since the preparation of the memorandum on March 22, 1960, it had come to the Legal Division's attention that the bill might be ambiguous with respect to its effect on approval of foreign branches of national banks, a power given to the Board under section 25 of the Federal Reserve Act, and he suggested a change in the wording of the draft letter to cover this point.

Governor Robertson suggested further changes in the letter designed to make it clear that while the Board had no desire to retain the power to approve branches of State member banks, no good reason had been advanced for transferring this authority to the Federal Deposit Insurance Corporation.
Following further discussion, during which Mr. Young noted that the Comptroller's Office wished to have a copy of the Board's report on the bill, unanimous approval was given to a letter to Congressman Spence in the form attached as Item No. 9.

Messrs. Shay and Young then withdrew from the meeting.

Letter to Bank of America National Trust and Savings Association (Item No. 10). There had been circulated a draft of letter to Bank of America National Trust and Savings Association, San Francisco, California, that would authorize the establishment of a branch in Lagos, Nigeria, along with a memorandum dated March 23, 1960, from the Division of Examinations summarizing the factual situation.

In response to an observation by Governor Szymczak, Mr. Goodman sketched the background of the establishment by Bank of America National Trust and Savings Association of an Edge corporation subsidiary to handle expansion into the foreign field. He noted, in this connection, that the San Francisco Reserve Bank had recommended disapproval of the request to establish the Lagos branch as a branch of the parent national bank rather than as a branch of Bank of America (New York), the wholly-owned Edge Act subsidiary. Mr. Goodman expressed personal preference for a consistent policy of establishing foreign branches of the Bank of America organization either as branches of the San Francisco parent bank or the New York subsidiary; and he said he suspected the organization had no consistent policy in this regard. So far as the instant application was concerned, he
favored approval since there was a definite need indicated, but he believed Bank of America National Trust and Savings Association should be encouraged by the Board to adopt a consistent policy with respect to establishing foreign branches.

Mr. Solomon remarked that in view of their significance it was important for the Board to consider the various ramifications of the questions involved. In the first place, consistency in establishing foreign branches as branches of either the parent bank or the New York subsidiary would make for ease of control by the parent corporation, ease of supervision by the authorities, and ease of understanding by the public. However, this was not an over-riding consideration in this case since the Bank of America organization was not unduly complex. Therefore, Mr. Solomon felt that it was not a burning issue whether foreign branches were operated by the parent bank or the New York subsidiary. In the second place, it seemed questionable whether it would be entirely realistic to treat a completely-owned subsidiary as different from the parent organization from the viewpoint of capital adequacy. However, Mr. Solomon said, he realized there were some officials at the San Francisco Reserve Bank who believed this arrangement (operation of foreign branches by the Edge Act subsidiary) provided better protection to the foreign branches than if they were operated by the parent bank.

Mr. Molony, Assistant to the Board, joined the meeting at this point.
Governor Szymczak recalled that the Board had never taken a position as to whether foreign branches should be operated by the parent organization or its New York subsidiary. However, the main foreign department of the organization was located in San Francisco, with the New York subsidiary being used only when the bank felt that was to its advantage.

Mr. Solomon added that since the Board had approved the establishment of a branch of the national bank in Argentina in November 1959, the Board might have some difficulty at this juncture in requiring a different pattern of operation.

A discussion ensued regarding the capital structure of Bank of America National Trust and Savings Association, following which Mr. Solomon indicated that recent correspondence with President Beise did not clearly establish the Board's position regarding capital adequacy of the national bank, although the Board's letter of March 4 contained a statement that the fact that the Edge corporation was adequately capitalized to enable it to acquire Banca d'America e d'Italia in 1957 does not necessarily mean that the national bank was then, or is now, adequately capitalized to justify the establishment of additional foreign branches. Should the Board approve the proposed letter authorizing establishment of the Nigerian branch, it might be desirable to include a statement that would preserve the position indicated in the March 4 letter.
Governor Szymczak indicated a view that this might be desirable, but he pointed out that a formal request for additional capital for a national bank would come from the Comptroller of the Currency rather than the Board.

When Mr. Hexter observed that the Comptroller of the Currency had not raised the question of capital adequacy with the national bank, Mr. Solomon went on to say that Deputy Comptroller of the Currency Jennings had read the Board's letter of November 18, 1959, addressed to Mr. Beise concerning the capital position of the bank and had said the letter was agreeable to him. However, Mr. Jennings suggested that the Comptroller's comments be obtained. Governor Robertson added that when he discussed the letter with Mr. Gidney, the latter did not object to it, although he was not enthusiastic.

Governor Robertson also said that when Mr. Beise met with the Board on January 29, 1960, there was a discussion of the question of capital adequacy, with an indication that this question would weigh heavily with the Board should the Bank of America organization undertake a large-scale program of foreign expansion, although the Board would not be so concerned if minor expansion, such as the establishment of an individual branch, was involved. Consequently, he proposed approval of the instant application. He did not believe it was imperative to differentiate between the parent bank and its wholly-owned New York subsidiary in connection with the establishment of foreign branches, since fundamentally
the capital position of the entire organization rather than that of any of its constituent parts was at issue.

Governor Balderston agreed with the view expressed by Governor Robertson. He also said that he thought the letter giving approval to the Lagos, Nigeria branch should incorporate a reference to the January 29 discussion with Mr. Beise.

Following further discussion, unanimous approval was given to a letter to Bank of America National Trust and Savings Association authorizing the establishment of a branch in Lagos, Nigeria, with the understanding that the San Francisco Reserve Bank need not be consulted prior to the sending of this letter, and with the further understanding that the letter would contain language indicating that the approval was being given in the light of factors discussed when President Beise met with the Board on January 29, 1960. A copy of the letter sent pursuant to this action is attached as Item No. 10.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions affecting the Board's staff:

Appointment

Willa Lea Cooke Brink as Clerk in the Division of International Finance, with basic annual salary at the rate of $3,755, effective May 9, 1960.
Salary increase

Gentlemen:

In accordance with the request contained in your letter of March 2, 1960, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors approves the removal of your branch in the Hato Rey area of San Juan, Puerto Rico, to temporary quarters for a period of approximately two years, during construction of a new building. It is understood that, in the interim, a portion of a connecting building on the same property will be renovated and used for temporary quarters during the construction period and that there will be no change in the official address of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
March 31, 1960.

Board of Directors,
The Huron County Banking Company,
Norwalk, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of an in-town drive-in branch at the intersection of Linwood Avenue and Monroe Street, by The Huron County Banking Company, Norwalk, Ohio. This approval is given provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
The Sylvania Savings Bank Company,
Sylvania, 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 5615 Summit Street, Sylvania, Ohio, by The Sylvania Savings Bank Company, Sylvania, Ohio. This approval is given 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 Directors,
Union Trust Company of Maryland,
Baltimore, Maryland.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors extends to December 31, 1960, the time within which the Union Trust Company of Maryland may, under the authority granted in the Board's letter of April 1, 1959, establish a branch in the unincorporated community of Dundalk, Baltimore County, Maryland.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Irwin Union Bank and Trust Company,
Columbus, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment of an in-town branch at the intersection of U.S. Highway #31 and State Road #46, by Irwin Union Bank and Trust Company, Columbus, Indiana. This approval is given 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.
March 31, 1960.

Board of Directors,
Portland Trust Bank,
Portland, Oregon.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System extends until September 26, 1960, the time within which Portland Trust Bank may establish an out-of-town branch in The Dalles, Oregon, under the authorization contained in the Board’s letter of November 25, 1959.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
The First Bank of Alabaster,
Alabaster, Alabama.

Gentlemen:

The Federal Reserve Bank of Atlanta has forwarded to the Board of Governors your letter dated March 11, 1960, together with 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 withdrawal. Upon surrender to the Federal Reserve Bank of Atlanta of the Federal Reserve Bank stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon. Under the provisions of Regulation H, 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 returned to the Federal Reserve Bank of Atlanta.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. George S. Read, Vice President,
The Northern Trust Company,
Fifty South La Salle Street,
Chicago 90, Illinois.

Dear Mr. Read:

In response to your letter of March 8, we are enclosing a list of member banks as of December 31, 1959, that are authorized to accept drafts or bills to furnish dollar exchange.

We are also enclosing a list of the countries with respect to which the Board of Governors has found that the usages of trade require the furnishing of dollar exchange. The Board of Governors may at any time after 90 days' published notice remove from such list the name of any country, dependency, or insular possession contained therein.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosures.
March 31, 1960.

The Honorable Brent Spence, Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of February 2, 1960, for a report on H.R. 9184 "To amend section 9 of the Federal Reserve Act, as amended, section 18(d) of the Federal Deposit Insurance Act, and section 5155 of the Revised Statutes, as amended."

The effect of this legislation would be to require State member banks to secure the approval of the Federal Deposit Insurance Corporation rather than the Board of Governors, as under existing law, for the establishment of branches, and to require national banks not only to secure the approval of the Comptroller of the Currency but that of the FDIC as well for the establishment of domestic branches. As to foreign branches of national banks, the bill might be regarded as requiring the approval of the FDIC in addition to the approval of the Board.

In the absence of any sound reason for this legislation, the Board does not recommend its favorable consideration. In the Board's view the legislation is unnecessary, and consideration of branch applications should be the function of the Federal agency which has responsibility for examination and supervision of applicants. Interchange of reports of examination and related data among supervisory agencies, while useful, cannot be an adequate substitute for information derived from continuing bank examination and supervisory contacts with the banks concerned.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
Mr. S. Clark Beise, President,
Bank of America National Trust and
Savings Association,
300 Montgomery Street,
San Francisco, California.

Dear Mr. Beise:

The Board of Governors of the Federal Reserve System authorizes Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Lagos, Federation of Nigeria, and to operate and maintain such branch subject to the provisions of such Section. The location of the branch may not be changed, after establishment, without the prior approval of the Board of Governors.

This action has been taken in the light of your discussion with the members of the Board on January 29, 1960, in which you indicated that at present your Bank has no plans involving any major expansion abroad and that it is giving active consideration to building up the capital structure of the Bank through retention of earnings and, as appropriate, through the sale of shares.

Unless the branch is actually established and opened for business on or before April 1, 1961, all rights granted hereby shall 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 San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.