

Minutes for June 24, 1960

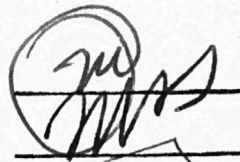
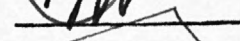
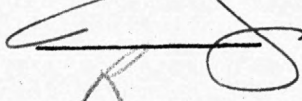
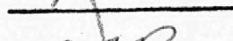
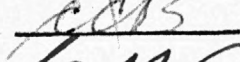
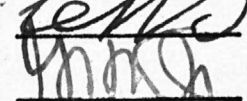
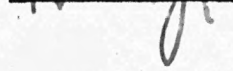
To: Members of the Board

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, June 24, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson

Mr. Sherman, 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. Kelleher, Director, Division of Administrative Services
Mr. Masters, Associate Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Chase, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary

Ratification of actions taken in the absence of a quorum (Item No. 1).

The Board ratified by unanimous vote the actions taken at a meeting of the available members of the Board on June 23, 1960. Minutes of that meeting are attached hereto as Item No. 1.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on June 23, 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.

6/24/60

-2-

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

	<u>Item No.</u>
Letter to The Commercial Bank, Blue Hill, Nebraska, granting its request for permission to exercise fiduciary powers.	2
Letter to The Farmers National Bank of Grant, Grant, Nebraska, approving its application for fiduciary powers.	3
Telegram to the Federal Reserve Agent at Chicago authorizing the issuance of a general voting permit to First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, entitling it to vote the stock which it owns or controls of Mayfair National Bank of Wauwatosa, Wauwatosa, Wisconsin.	4
Letter to the Federal Reserve Bank of St. Louis regarding the bank holding company status of Usher and Gardner, Inc.	5
Letter to the Comptroller of the Currency requesting that an order be placed with the Bureau of Engraving and Printing for printing Federal Reserve notes during the fiscal year 1961.	6

With respect to Item No. 5, upon a request from Governor Robertson, Mr. Hostrup went into the background of the bank holding company status of Usher and Gardner, Inc., Mayfield, Kentucky. The question at issue was whether that corporation owned or had ever owned as much as 25 per cent of the stock of any bank other than the Exchange Bank, Mayfield, Kentucky, which would qualify it as a bank holding company under the Bank Holding Company Act of 1956. Mr. Hostrup referred to a letter from the Federal

6/24/60

-3-

Reserve Bank of St. Louis dated April 22, 1960, which noted that the last examination report of the bank in Mayfield no longer referred to the possible holding company violation mentioned in the previous report that had been the subject of a letter from the Division of Examinations to the St. Louis Reserve Bank on November 19, 1959. The Reserve Bank's letter of April 22 reported that counsel for Usher and Gardner, Inc., held a lengthy conference in St. Louis with Vice President Kroner, the Chief Examiner and Counsel of the Reserve Bank, and the Chief National Bank Examiner. It was brought out during this conversation that Mr. Usher had bought 650 shares of the Citizens Bank, Hickman, Kentucky, from the corporation, thereby reducing the maximum possible corporate holdings of bank stocks to an amount below the specifications of the Bank Holding Company Act.

Classification of member banks in the Second District (Item No. 7).

A draft of letter to the New York Reserve Bank had been circulated with a memorandum dated June 15, 1960, from the Division of Bank Operations. The letter would state that the Board had changed the classification of member banks in the Second Federal Reserve District for the purpose of electing Class A and Class B directors. The draft letter would note that the new classification would leave 13 of the 37 banks transferring from Group 2 to Group 3 at the upper limit of capital and surplus for Group 3, with the result that whenever their capital was increased they would revert to Group 2.

Mr. Farrell referred to the fact that the current classification

6/24/60

-4-

of member banks in the New York District had been in effect since June 20, 1957, and that an analysis by the Reserve Bank of the present classification of voting groups suggested the desirability of a change in the light of the Board's formula (S-1521; F.R.L.S. No. 3120):

The number of member banks in Group 2 will be approximately one-third of the total number of member banks in the district, with the number of member banks in Group 1 as nearly as may be in the same ratio to the total number of all member banks as the combined capital and surplus of member banks in Group 3 bears to the combined capital and surplus of all member banks.

He said that the Division of Bank Operations felt that a somewhat different limit for Group 3 would be preferable to the one proposed by the Reserve Bank but that the difference was one of degree only, and in the past such differences had not been considered of sufficient importance to justify insistence on changes in recommendations formally made. Mr. Farrell added that the Reserve Bank was reluctant to amend its proposal because it had been reviewed with the Bank's directors, who had agreed with the recommendation.

There being no objection, the letter to the New York Reserve Bank changing the classification of member banks in the Second Federal Reserve District for the purpose of electing Class A and Class B directors was approved unanimously. A copy of the letter is attached to these minutes as Item No. 7.

Meeting with Committee on Common Trust Funds (Item No. 8). There had been circulated under date of June 24, 1960, a draft of letter to the

6/24/60

-5-

Federal Reserve Bank of New York that would propose a meeting with the Committee on Common Trust Funds of the Trust Division of the American Bankers Association. The Trust Division had written under date of May 16, 1960, suggesting in substance an amendment to subsection 5(c) of Section 17 of Regulation F that would substitute for the present limitation on amounts which may be invested by qualified fiduciary accounts in common trust funds established under the provisions of the section, a limitation of 5 per cent of a common trust fund the value of whose assets exceeded \$2 million, while retaining the present limitation on investment in common trust funds with assets valued at \$2 million or less. The Reserve Bank had transmitted this proposal to the Board and advised that it was studying the recommendation and would prepare a memorandum of its views for submission to the Board. The draft reply to New York would state that, in connection with Board consideration of this proposal, the comments of the Reserve Banks, other interested bank supervisory agencies, and the Internal Revenue Service would be requested. However, it would go on to say that in advance of taking any of these steps it would be appreciated if a meeting would be arranged either in New York or Washington for further consideration of the matter with representatives of the Trust Division's Committee on Common Trust Funds.

Governor Mills asked whether it was contemplated that the Board's representatives at the proposed meeting would indicate the Board's position one way or another on the proposal, which substantially relaxed the administration of common trust funds and struck him as being a move in the wrong direction.

6/24/60

-6-

Mr. Masters replied that the recommendation made by the Committee on Common Trust Funds of the American Bankers Association was indeed a sweeping one, and in his opinion it required more support than was given to it in the memorandum from that group. He indicated that the proposed meeting was suggested as a means of developing a better understanding of the objectives and reasons for the recommendation. Noting that it would be difficult for the Board's representatives to remain passive during a meeting of this type, Mr. Masters said that it was not intended to argue the merits of the recommendation but merely to explore and develop information already received from the Association and perhaps to develop alternatives to the recommendation. He went on to say that the Executive Committee of the Association's Common Trust Fund Committee was attempting to promote support for the recommendation among banks in St. Louis, Philadelphia, and New York.

The letter to the New York Reserve Bank regarding arrangements for such a meeting was then approved unanimously. A copy of this letter is attached to these minutes as Item No. 8.

Messrs. Thomas and Young, Advisers to the Board, and Noyes, Director, Division of Research and Statistics, joined the meeting at this point.

Arizona banking study (Item No. 9). Under date of May 31, 1960, the Federal Reserve Bank of San Francisco wrote to the Board requesting instructions as to the response that it should make to a request of the Department of Justice for access to the confidential or other materials in its files relating to the San Francisco Bank's 1956 study, Investigation of Banking

6/24/60

-7-

in Arizona. The material was desired by the Antitrust Division of Justice in connection with a Grand Jury proceeding against General Motors Corporation involving the Sherman Act; the Antitrust Division specifically was seeking such material as the Reserve Bank might have respecting an agreement between Valley National Bank of Phoenix, Arizona, and General Motors Acceptance Corporation prohibiting the latter from offering longer maturities than those required by the policy in effect at Valley National Bank. In addition, the Reserve Bank had inquired as to the extent of its authority to cooperate with the Antitrust Division in connection with the performance of its responsibilities.

A draft of letter that would reply to the Reserve Bank had been circulated expressing the opinion that such material as is relevant should be made available to the Antitrust Division, with the understanding that such material would be used for developing information and would not be used for any other purpose or introduced in evidence and that no reference to the source of the information would be made to anyone outside the Justice Department. The letter would also indicate that Justice had already been informed that the confidential Dembitz memorandum to members of the Commission on Credit Granting by Automobile Dealers, dated May 4, 1956, referred to at page 102 of Volume I of the Reserve Bank's study, was not relevant and therefore would not be made available to the Antitrust Division. The letter to the Reserve Bank would note in conclusion that permission for Justice to

6/24/60

-8-

examine reports of examination of national banks and nonmember insured banks must be requested from the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Mr. Hackley recalled that a copy of the San Francisco Reserve Bank's study, Investigation of Banking in Arizona, was sent by the Board to the Department of Justice on April 3, 1957, and that pursuant to the Board's action on April 13, 1960, a copy of the memorandum dated March 14, 1960, prepared in the Board's Legal Division by Mr. Upshaw also was sent to the Justice Department. The Chief Trial Attorney of the San Francisco office of the Antitrust Division of Justice had asked the Reserve Bank for access to the information upon which both the Reserve Bank's study and the Upshaw memorandum were based. A similar request had been received by Mr. Hackley from Mr. Bicks, Acting Assistant Attorney General in charge of the Antitrust Division, in a letter dated May 27, 1960. Mr. Hackley went on to say that, if the Board approved the draft letter authorizing the San Francisco Reserve Bank to make certain materials available to the Antitrust Division, he would propose to respond to the letter from Mr. Bicks that the Upshaw memorandum was based entirely on the study prepared at the San Francisco Bank and that the Board had authorized the Reserve Bank to make its basic information available to representatives of Justice in the manner indicated. On the latter point, Mr. Hackley said that the recommended reply to the San Francisco Reserve Bank was consistent with replies made by the Board to earlier similar requests from other Government agencies that

6/24/60

-9-

they be given access to unpublished information in the Board's records.

Governor Mills observed that the draft letter to the Reserve Bank would state that the memorandum prepared by Mr. Dembitz of the Division of Research and Statistics containing confidential information obtained from General Motors Acceptance Corporation would not be made available to the Justice Department. He felt it important that the letter make clear that information of this type, which was given in strict confidence to the Board, should not be released. Governor Mills went on to suggest that the Reserve Bank be advised to consult the Board's Legal Division whenever it had reservations about revealing to the Justice Department any of the information used in the preparation of its 1956 report and the report prepared in the Board's Legal Division.

Chairman Martin suggested that Mr. Hackley make certain that the San Francisco Reserve Bank understood that, if it had doubts as to making information available under the terms of the proposed letter, such questions be brought back to the Board.

A letter to the San Francisco Reserve Bank in response to its request for instructions as to making available to the Department of Justice materials upon which the Reserve Bank's 1956 study of banking in Arizona was based was then approved unanimously, with the understanding that Mr. Hackley would inform Mr. Bicks, Acting Assistant Attorney General, of the substance of the Board's letter to the Federal Reserve Bank of San Francisco. A copy of the letter to the San Francisco Bank is attached hereto as Item No. 9.

6/24/60

-10-

Messrs. Connell, Controller, Bass, Assistant Controller, and Horbett, Special Consultant, Division of Bank Operations, entered the meeting at this point and Mr. Chase withdrew.

Application by Eastern Trust and Banking Company (Items 10 and 11).

There had been distributed a draft of Order approving the application by Eastern Trust and Banking Company, Bangor, Maine, under the Bank Holding Company Act for prior approval to acquire up to 70 per cent of the 2,000 outstanding voting shares of Guilford Trust Company, Guilford, Maine. A draft Statement of the Board and a press release regarding this matter had also been distributed.

Mr. Hackley noted that no objections or comments had been filed following publication in the Federal Register on June 8, 1960, of a Notice of Tentative Decision referring to a Tentative Statement approving this application. Since the time for filing such objections and comments had now expired, the Legal Division had prepared for the Board's consideration drafts of a final Order and Statement, in this case substantially the same as the Tentative Decision and Tentative Statement.

There being no objection, the Order and Statement granting the Board's approval of the request by Eastern Trust and Banking Company to acquire up to 70 per cent of the outstanding voting shares of Guilford Trust Company were approved unanimously, with the understanding that a press release would be issued in the usual manner. Copies of the Order and Statement are attached to these minutes as Items 10 and 11.

6/24/60

Report on competitive factors--Savannah, Georgia. A memorandum dated June 21, 1960, from the Division of Examinations had been distributed in connection with the proposed consolidation of City Bank and Trust Company, Macon, Georgia, and The Citizens and Southern National Bank, Savannah, Georgia, under the charter and title of the latter bank. Attached to the memorandum was a proposed report to the Comptroller of the Currency on the competitive factors involved in the consolidation.

Governor Robertson suggested the deletion of the last sentence of the proposed conclusion of the report, pointing out that the reference therein to the organization of a new State bank in Macon, where a branch of the consolidated bank was to be established, simply indicated the need for a new bank in that community and gave an undeserving tone to the statement as a whole.

There was agreement with Governor Robertson's suggestion.

Thereupon, unanimous approval was given to the report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Citizens and Southern National Bank, Savannah, Georgia, and City Bank and Trust Company, Macon, Georgia. The conclusion of the report, as approved, was as follows:

The proposed consolidation will result in the elimination of a relatively small bank in Macon and a lessening of competition. It will expand the resources of the largest commercial bank and itself a bank holding company, which operates in various communities throughout the State through branches and subsidiary banks. It will result in a concentration of local commercial banking in Macon in two large State-wide banking systems.

6/24/60

-12-

At this point Messrs. Masters and Hostrup withdrew from the meeting.

Draft of statement by Chairman Martin on H. R. 8516 and H. R. 8627.

Copies had been distributed of a draft of statement to be made by Chairman Martin on June 28, 1960, before Subcommittee No. 3 of the House Banking and Currency Committee on H. R. 8516, relating to retirement of stock in the Federal Reserve Banks, and H. R. 8627, proposing the substitution of interest-bearing deposits at the Reserve Banks for Reserve Bank stock now owned by member banks.

After a discussion of the proposed statement, it was understood that it would be revised and considered at another meeting of the Board.

Messrs. Thomas, Hexter, and Young then withdrew and Mr. Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

Draft reply to letter from Chairman Hardy. A redraft of proposed reply to a letter dated June 10, 1960, from Chairman Hardy of the Foreign Operations and Monetary Affairs Subcommittee of the Committee on Government Operations of the House of Representatives had been distributed in accordance with the understanding reached at yesterday's meeting of the available members of the Board.

Governor Robertson said that it was not now proposed to send to Chairman Hardy the redraft of answer to the question relating to float but to ask the Reserve Bank Presidents for comment. Also, the answer to the question regarding a single Federal Reserve note issue would be forthcoming

6/24/60

-13-

at a later date. Governor Robertson then commented on the answers to the other questions and the changes that had been made since the preceding draft.

Governor Mills said that he hoped the letter to the Reserve Bank Presidents transmitting the proposed reply to the question regarding float would not be taken to indicate that the draft answer was intended to constitute a declaration of the Board's position on the question of returning to a three-day maximum deferment schedule in place of the present two-day maximum. Otherwise, the Presidents might believe the Board had already decided to make this move and thus be inhibited from giving their comments.

Governor Robertson said that the letter was not intended to indicate a Board position but was for the purpose of stirring up comments on the entire problem.

There followed a discussion of the draft answers, during which Mr. Daniels withdrew from the meeting. At the conclusion of the discussion, it was understood that further revisions would be made in the draft replies for consideration by the Board early next week.

The meeting then adjourned.

Secretary's Notes: On June 23, 1960, Governor Robertson, acting in the absence of Governor Shepardson, approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending the following actions affecting the Board's staff:

6/24/60

-14-

Appointments

Carol Lee Jones as Stenographer in the Division of Examinations, with basic annual salary at the rate of \$3,755, effective the date of entrance upon duty.

Gail Mullin as Economist in the Division of Research and Statistics, with basic annual salary at the rate of \$8,330, effective the date of entrance upon duty.

Patricia J. Snell as Statistical Clerk in the Division of Research and Statistics, with basic annual salary at the rate of \$3,755, effective the date of entrance upon duty.

Reemployment following maternity leave

Rose Cassedy as Research Assistant in the Division of Research and Statistics, with basic annual salary at the rate of \$5,580, effective June 27, 1960.

Advance of sick leave

Dorothy L. Duvall, Statistical Clerk in the Division of Bank Operations, to be advanced further sick leave for the period June 24 through July 15, 1960.

Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 12) approving the appointment of Louis A. Pinola as assistant examiner.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 13) interposing no objection to George Herbert Ferguson, an assistant examiner, serving in a certain trust capacity, with the understanding that he will not participate in any examination of The City Bank Company, Lorain, Ohio, as long as the trusts include stock of that bank.

Telegram to the Federal Reserve Bank of Atlanta (attached Item No. 14) approving the appointment of Albert Sidney Maner as assistant examiner.

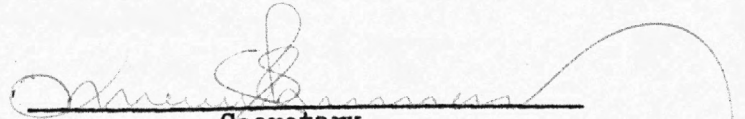
Acting in the absence of Governor Shepardson,
Governor Robertson today approved on behalf of
the Board the following items:

Memorandum dated June 17, 1960, from Gail Jeanne Payne, Draftsman Trainee in the Division of Research and Statistics, requesting permission to accept a part-time position as salesgirl in a local dress shop.

6/24/60

-15-

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 15)
approving the appointment of Delmer D. Weisz as assistant examiner.



Secretary

Minutes of a meeting of the available members of the Board of
Governors of the Federal Reserve System held in the Board Room at 10:00 a.m.
on Thursday, June 23, 1960.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson

Mr. Sherman, Secretary
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Kelleher, Director, Division of Administrative
Services
Mr. Connell, Controller
Mr. Masters, Associate Director, Division of
Examinations
Mr. Daniels, Assistant Director, Division of Bank
Operations
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mr. Bass, Assistant Controller
Mrs. Semia, Technical Assistant, Office of the
Secretary
Mr. Horbett, Special Consultant, Division of Bank
Operations

Report on competitive factors. A memorandum dated June 16, 1960,
from the Division of Examinations had been distributed in connection with
the proposed purchase of assets and assumption of liabilities of The
Essex National Bank, Essex, Connecticut, by Hartford National Bank and
Trust Company, Hartford, Connecticut. Attached to the memorandum was a
proposed report to the Comptroller of the Currency on the competitive
factors involved in the transaction. The report was required by today's
date.

6/23/60

-2-

Governor Mills suggested revisions in the wording of the conclusion of the report. He pointed out that this case, like two others in process, involved an expansion within a holding company, and he thought that was a sensitive area that the bank merger legislation was aimed at in particular. Governor Mills considered that the overall expansion of the holding company should be taken into account by the Board and also by the Comptroller's Office.

With the changes in the conclusion suggested by Governor Mills, the report was approved unanimously for transmission to the Comptroller of the Currency. The conclusion of the report as approved read as follows:

While the proposed transaction would eliminate one unit bank in Essex and would extend the overall service territory and increase the employable resources of the largest commercial bank in Hartford, local banking competition in Essex should tend to be intensified.

Replies to questions submitted by Hardy Subcommittee. Governor Robertson stated that there had been distributed drafts of replies to questions contained in a letter dated June 10 from Chairman Porter Hardy, Jr., of the Foreign Operations and Monetary Affairs Subcommittee of the House Committee on Government Operations. It would be helpful to those who were working on the answers to have the benefit of any comments the members of the Board might care to make at this time.

In regard to the first question, which concerned the possibility of reducing float by increasing the maximum deferment time for check credits, Governor Mills stated that he felt strongly that the reply


6/23/60

-3-

should be delayed and the question of increasing maximum deferment time should again be brought up with the Federal Reserve Bank Presidents.

After further discussion of changes in wording and approach in the proposed replies, it was understood that a revised draft would be prepared and distributed to the Board.

The meeting then adjourned.


Secretary

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

Item No. 2
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1960



Board of Directors,
The Commercial Bank,
Blue Hill, 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 The Commercial Bank to act as executor and administrator of the estates of deceased persons, as prescribed by the laws of the State of Nebraska, 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1960

Board of Directors,
The Farmers National Bank of Grant,
Grant, Nebraska.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Farmers National Bank of Grant authority to act, when not in contravention of State or local law, as executor and administrator. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

2337

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
6/24/60

June 24, 1960

PRALL - CHICAGO

KEBJE

- A. First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin.
- B. Mayfair National Bank of Wauwatosa, Wauwatosa, Wisconsin.
- C. None.

(Signed) Merritt Sherman
SHERMAN

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 5
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1960

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

This refers to the Board's letter of November 19, 1959, and your reply of April 22, 1960, concerning the bank holding company status of Usher and Gardner, Inc.

Statements of Counsel for Usher and Gardner, Inc., reviewed the status of the Usher and Gardner litigation generally, with particular reference to the process of establishing the character (as either personal or corporate property) of assets standing in the name of or carried on the books of the corporation, and were to the effect that no such determination could at that time be made as to the bank stocks, but as a result of investigation certain other properties had been established as involving personal rather than corporate ownership; and that a determination of ownership of the bank stocks would require an audit of some 30 years' transactions, and no such audit of the corporation was then contemplated. The corporation's Counsel further stated that in order to put the bank holding company question at rest, Mr. Usher had purchased 650 shares of Citizens Bank, Hickman, Kentucky, from the corporation, and also asserted that Usher and Gardner, Inc. did not then own, if it did at any time, as much as 25 per cent of the stock of any bank other than Exchange Bank, Mayfield, Kentucky.

On the basis of the information furnished, the Board agrees with the conclusion reached by you and your Bank's Counsel, that Usher and Gardner, Inc. is not a bank holding company. No further action is deemed necessary.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1960

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

Sir:

It is respectfully requested that you place an order with the Bureau of Engraving and Printing for printing 540,432,000 Federal Reserve notes (single units) of the 1950 Series during the fiscal year ending June 30, 1961, in the amounts and denominations shown below for the various Federal Reserve Banks:

	<u>Denomi- nation</u>	<u>Number of notes</u>	<u>Dollar Amount</u>
Boston	\$5	6,840,000	\$34,200,000
	10	8,640,000	86,400,000
	20	2,520,000	50,400,000
	50	144,000	7,200,000
	100	144,000	14,400,000
New York	5	30,240,000	151,200,000
	10	52,920,000	529,200,000
	20	28,000,000	560,000,000
	50	1,584,000	79,200,000
	100	1,152,000	115,200,000
Philadelphia	5	17,280,000	86,400,000
	10	28,720,000	287,200,000
	20	7,920,000	158,400,000
	50	1,152,000	57,600,000
	100	288,000	28,800,000
Cleveland	5	14,400,000	72,000,000
	10	11,800,000	118,000,000
	20	12,600,000	252,000,000
	50	576,000	28,800,000
	100	144,000	14,400,000

The Comptroller
of the Currency

-2-

	<u>Denomi- nation</u>	<u>Number of notes</u>	<u>Dollar Amount</u>
Richmond	\$5	10,080,000	\$50,400,000
	10	14,760,000	147,600,000
	20	13,680,000	273,600,000
	50	432,000	21,600,000
Atlanta	5	31,600,000	158,000,000
	10	24,760,000	247,600,000
	20	15,040,000	300,800,000
	100	288,000	28,800,000
Chicago	5	20,520,000	102,600,000
	10	43,920,000	439,200,000
	20	17,640,000	352,800,000
	50	1,008,000	50,400,000
St. Louis	5	11,520,000	57,600,000
	10	7,560,000	75,600,000
	20	3,960,000	79,200,000
	100	288,000	28,800,000
Minneapolis	5	4,680,000	23,400,000
	10	3,600,000	36,000,000
	20	2,880,000	57,600,000
Kansas City	5	3,960,000	19,800,000
	10	7,560,000	75,600,000
	20	6,840,000	136,800,000
	50	144,000	7,200,000
	100	144,000	14,400,000
Dallas	5	19,360,000	96,800,000
	10	6,480,000	64,800,000
	20	4,320,000	86,400,000
San Francisco	5	11,080,000	55,400,000
	10	12,240,000	122,400,000
	20	11,440,000	228,800,000
	50	720,000	36,000,000
	100	864,000	86,400,000

The Comptroller
of the Currency

	<u>Denomi- nation</u>	<u>Number of notes</u>	<u>Dollar Amount</u>
Totals	\$5	181,560,000	\$907,800,000
	10	222,960,000	2,229,600,000
	20	126,840,000	2,536,800,000
	50	5,760,000	288,000,000
	100	<u>3,312,000</u>	<u>331,200,000</u>
		540,432,000	\$6,293,400,000
		<u><u>540,432,000</u></u>	<u><u>\$6,293,400,000</u></u>

Respectfully,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 24, 1960

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Hayes:

As recommended in your letter of June 2, 1960, the Board has changed the classification of member banks in the Second Federal Reserve District, for the purpose of electing Class A and Class B directors, to the following:

<u>Group</u>	<u>Banks with Capital and Surplus of:</u>
1	\$25,000,000 or more
2	More than \$1,000,000, but less than \$25,000,000
3	\$1,000,000 or less

It is noted that this classification will leave 13 of the 37 banks transferred from Group 2 to Group 3 at exactly the upper limit of capital and surplus for Group 3. As a result, with their first increase in capital, they will revert to Group 2.

It is suggested that in the future consideration might be given to setting the capital and surplus limits at a point where there would be a lesser concentration of banks at or near the maximum limit for the group. In this instance, for example, the definition of Group 3 might have been "banks with capital and surplus of less than \$1,200,000" or "less than \$1,150,000."

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 8
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1960

Mr. Fred W. Piderit, Jr.,
Assistant Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Piderit:

This will acknowledge your letter of May 23, with which you enclosed a letter and supporting memorandum, both dated May 16, addressed to the Board by the Committee on Common Trust Funds of the Trust Division of the American Bankers Association, and requesting consideration by the Board to amendment of subsection 5(c), Section 17, Regulation F. The amendment proposed, in substance, would substitute for the present limitation upon amounts which may be invested by qualified fiduciary accounts in common trust funds established under the provisions of Section 17, a limitation of 5 per cent of a common trust fund the value of the assets of which is in excess of \$2,000,000, while retaining the present limitation on investment in common trust funds with assets valued at \$2,000,000 or less. It is noted that your Bank is studying the recommendation and will prepare a memorandum of its views for submission to the Board.

The recommendation so made involves important conceptual changes in the common trust fund regulation, with far-reaching significance relative to the administration of such funds and to the Board's regulatory responsibilities. In this connection, the memorandum accompanying the Committee's letter raises a variety of questions bearing on the need and purpose of the proposed change as well as on the method of accomplishing it, including questions as to possible alternatives to the method recommended.

In connection with Board consideration of this proposal, the comments and views of the Federal Reserve Banks, other interested bank supervisory agencies, and the Internal Revenue Service will be requested. However, in advance of taking any of these



Mr. Fred W. Piderit, Jr.

- 2 -

steps it would be helpful to have the benefit of further exploration of certain features of this proposal with the Trust Division's Committee on Common Trust Funds. It will be appreciated, therefore, if you will so advise the Chairman of this Committee and arrange a meeting, either in New York or Washington, at the early convenience of all concerned for further discussion of the matter with representatives of the Trust Division's Committee on Common Trust Funds.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 24, 1960

Mr. H. N. Mangels, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

Receipt is acknowledged of your letter of May 31, 1960, and enclosures, with reference to the requests received from the offices of the Antitrust Division of the Department of Justice for permission to examine the materials upon which were based the report dated November 23, 1956, prepared by your Bank and the memorandum dated March 14, 1960, prepared by Mr. Upshaw, on banking in Arizona.

Specifically, you request "instructions as to the release to the Antitrust Division of the confidential or other materials in [your] files relating to the Investigation of Banking In Arizona and the extent of [your] authority to cooperate with that division in connection with the performance by them of their responsibilities." The Board is of the opinion that such material as is relevant should be made available to the Antitrust Division, with the understanding, of course, that such material will be used for developing information and will not be used for any other purpose or introduced in evidence and that no reference to the source of the information will be made to anyone outside the Department of Justice. However, in conversation with the Department of Justice here, it was pointed out that the Dembitz memorandum was not relevant and that therefore it would not be made available to the Antitrust Division.

It will, of course, be necessary to point out to representatives of the Antitrust Division that permission to examine reports of examination of national banks and nonmember insured banks cannot be given by the Board of Governors but must be requested from the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA

Item No. 10
6/24/60

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
EASTERN TRUST AND BANKING COMPANY
for prior approval of the acquisition of
voting shares of Guilford Trust Company,
Guilford, Maine

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of Eastern Trust and Banking Company, Bangor, Maine, for the Board's prior approval of the acquisition of up to 70 per cent of the 2,000 outstanding voting shares of Guilford Trust Company, Guilford, Maine; a Notice of Tentative Decision referring to a Tentative Statement on said application having been published in the Federal Register on June 8, 1960 (25 Federal Register 5115); the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative

-2-

Statement; and the time for filing such objections and comments having expired and no such objections or comments having been filed;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted, and the acquisition by Eastern Trust and Banking Company of up to 70 per cent of the 2,000 outstanding voting shares of Guilford Trust Company, Guilford, Maine, is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D. C., this 24th day of June 1960.

By order of the Board of Governors.

Voting for this action: Chairman Martin and Governors Szymczak, Mills, and Robertson

Absent and not voting: Governors Balderston, Shepardson, and King

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 11
6/24/60BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY EASTERN TRUST AND BANKING COMPANY,
BANGOR, MAINE, FOR PRIOR APPROVAL OF ACQUISITION OF
VOTING SHARES OF GUILFORD TRUST COMPANY, GUILFORD, MAINESTATEMENT

Eastern Trust and Banking Company, Bangor, Maine ("Applicant"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of up to 70 per cent of the 2,000 outstanding voting shares of Guilford Trust Company, Guilford, Maine ("Bank").

Views and recommendations of the Bank Commissioner for the State of Maine. - As required by section 3(b) of the Act, the Board forwarded notice of the application to the Bank Commissioner for the State of Maine. The Commissioner interposed no objection to the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and area concerned; and (5) whether or not the effect

-2-

of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - Applicant is a State bank which owns a majority of the shares of each of two other commercial banks in Maine, the three banks having total deposits of approximately \$30,000,000.

The towns of Guilford and Greenville, where Bank and its branch, respectively, are situated, are in Piscataquis County. The area is described by Applicant as one in which the population derives its income from activities such as lumber and pulp operations, textiles, slate quarries, hardwood products, furniture manufacturing, and tourist trade. The population of Guilford is about 1,850 and of Greenville, 1,900. There are no other banking offices in either town.

The financial history and condition, the prospects, and the management of both Applicant and Bank are satisfactory.

The Applicant states that the principal effect of the Proposed acquisition upon the convenience, needs, and welfare of the communities and the area concerned would be the advantages derived by Bank and its customers from supervision of Bank by a larger institution. Applicant also states that the population of the area concerned is remaining fairly stable. Nor is there any indication that the needs of the community will increase for any

-3-

other reason in the near future. Consequently, there appears to be no strong evidence supporting a community need to be satisfied by, or benefit to the community welfare to result from, this acquisition. At the same time, the Board finds no adverse considerations insofar as the fourth statutory factor is concerned.

An additional judgment required of the Board in its consideration of this application is whether the effects of the acquisition proposed would be to expand the size or extent of Applicant's bank holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of banking competition.

Applicant and its two subsidiary banks hold approximately 5 per cent of the total deposits of commercial banks in Maine, and have about 6 per cent of the total offices of such banks in the State. Acquisition of Guilford would increase Applicant's control of total commercial bank deposits and of such offices by approximately one percentage point. The office of Applicant's subsidiary banks which is nearest to Bank is some 43 miles from Guilford. Bangor, where the Applicant's head office and several of its branches are located, is 48 miles from Guilford. Offices of a substantial competing commercial bank are located on the highways between Bangor and Guilford, and between Guilford and the areas served by Applicant's present subsidiaries.

It was found that an insignificant amount of deposits of individuals, partnerships, and corporations held by Bank originates in the areas in which Applicant's banks primarily operate. Likewise,

-4-

the business derived by Applicant's banks from the service area of Bank appears to be negligible. The competition between offices of the present Eastern group and those of Bank that would be reduced or eliminated, if Bank were acquired by Applicant, would therefore be insignificant.

Bank has approximately 57 per cent of the total deposits of all commercial banks, and about 35 per cent of the deposits of all banks located in Piscataquis County. While there are no other banking offices in the area designated by Applicant as Bank's primary service area, Applicant also states that Bank is in active competition with the remaining banks which have offices in Piscataquis County.

On the basis of the evidence adduced it does not appear that Applicant's acquisition of Bank would result in an undue concentration of banking resources in the area concerned, or produce results inconsistent with adequate and sound banking, the public interest, and the preservation of banking competition.

Conclusion. - The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on June 8, 1960 (25 Federal Register 5115), affording interested persons an opportunity to submit comments on, or objections to, the Board's Proposed action. No comments or objections were received.

-5-

Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.

June 24, 1960.

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

Item No. 12
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1960

CONFIDENTIAL (FR)

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of June 20, 1960, the Board approves the appointment of Louis A. Pinola as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the effective date of the appointment.

It is noted that Mr. Pinola owns 10 shares of the stock of The Liberty National Bank of Pittston, Pittston, Pennsylvania, and that he plans to dispose of this stock upon receipt of his appointment as an assistant examiner. It is also noted that Mr. Pinola is indebted to The Liberty National Bank in the amount of \$1,100 for the purchase of an automobile. Accordingly, the Board's approval of the appointment of Mr. Pinola is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 13
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1960



CONFIDENTIAL (FR)

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

Reference is made to your letter of June 15, 1960, advising that George Herbert Ferguson, whose appointment as an assistant examiner for the Federal Reserve Bank of Cleveland was approved on May 21, 1956, has completed his military service and will resume his duties as an assistant examiner effective July 5, 1960.

It is noted that Mr. Ferguson, as a beneficiary of his grandfather's estate, expects to receive approximately 78 shares of the common stock of The City Bank Company, Lorain, Ohio, a State member bank, and that he plans to dispose of this stock immediately upon its distribution to him. It is also noted that Mr. Ferguson was appointed under his grandfather's will as trustee for his minor brother and sister, and that the trust estates of the minors will receive 156 shares of The City Bank Company. In the circumstances, no objection will be interposed to Mr. Ferguson serving in this trust capacity with the understanding that he will not participate in any examination of The City Bank Company as long as the trusts include stock of that bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 14
6/24/60BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

June 23, 1960

CONFIDENTIAL (FR)

Denmark - Atlanta

Reurlet June 20 Board approves appointment Albert Sidney Maner as assistant examiner for Federal Reserve Bank of Atlanta effective June 27, 1960.

Re indebtedness to The Miami National Bank, Miami, Florida, of \$160. Approval given with understanding he will not participate in any examination that bank until indebtedness liquidated.

No additional photograph necessary.

(Signed) Merritt Sherman
Sherman

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

Item No. 15
6/24/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1960



Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter of June 20, 1960, the Board approves the appointment of Delmer D. Weisz as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise as to the effective date of the appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.