

Minutes for August 15, 1960

To: Members of the Board

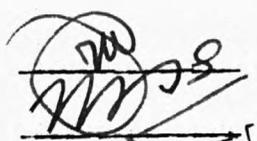
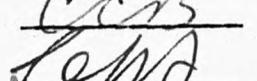
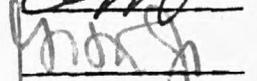
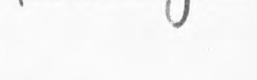
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 7 Approval of a discount rate of 3 per cent for the Federal Reserve Bank of Atlanta.

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 Monday, August 15, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Shepardson

Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Knipe, Consultant to the Chairman

Messrs. Marget, Sammons, Gekker, Gemmill,
Irvine, Katz, Reynolds, and Wood, of
the Division of International Finance

Messrs. Noyes, Garfield, Robinson, Axilrod,
Freedman, Goldstein, Kalachek, Keir,
Manookian, Trueblood, and Wood, and
Misses Dingle and Stockwell, of the
Division of Research and Statistics

Economic review. The Division of International Finance commented on the United States balance of payments and on financial developments in selected countries abroad, following which the Division of Research and Statistics summarized domestic economic developments.

There ensued discussion of several questions raised by members of the Board in the light of the staff presentation, following which all of the members of the staff except Mr. Kenyon and Miss Carmichael withdrew. Messrs. Hackley, General Counsel; Farrell, Director, Division of Bank Operations; Solomon, Director, and Hostrup and Nelson, Assistant Directors, Division of Examinations; and Hooff, Assistant Counsel, entered the room at this point.

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Items circulated to the Board. The following items had been circulated to the Board with comprehensive memoranda from the Board's staff, letters from the Federal Reserve Bank of New York, and other appropriate papers. After discussion the proposed letters, 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 Trust Company of New Jersey, Jersey City, New Jersey, consenting to its proposed purchase of assets and assumption of liabilities of the Weehawken Trust Company, Union City, New Jersey, and approving the establishment of two branches.	1
Letter to Marine Midland Corporation, Buffalo, New York, reaffirming the position that the "book value of its own shares outstanding" as used for purposes of subsection (c) of Section 5144, Revised Statutes, should be the value reflected in the Corporation's balance sheets included in reports to its shareholders and to the Board.	2

Mr. Hostrup then withdrew from the meeting.

Charlotte Branch property. There had been circulated to the Board a memorandum from the Division of Bank Operations dated August 4, 1960, regarding a request from the Federal Reserve Bank of Richmond for approval of the purchase of certain property adjoining the Charlotte Branch building at a price not to exceed \$200,000. The directors of the Federal Reserve Bank of Richmond and the Charlotte Branch had authorized the purchase subject to approval of the Board of Governors.

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While it was recognized that the Charlotte Branch building might be adequate for perhaps the next ten to fifteen years, the property proposed for purchase appeared to be the only site suitable for expansion at the present location. However, no decision had been reached regarding use of the property until such time as it might be needed for expansion of the branch premises.

Attached to the memorandum was a draft of telegram to the Richmond Reserve Bank that could be used if the Board should decide to approve the proposal.

Mr. Farrell said that he had talked with Mr. Wayne, First Vice President of the Richmond Reserve Bank, about this matter. There being no substantial parking problem for employees of the Charlotte Branch, the land was not needed for that purpose. However, Mr. Wayne stated that the Charlotte Board of Directors was firm in its opinion that the land should be purchased and the Richmond Board of Directors had concurred. This would be perhaps the last chance to obtain property near the present Branch location; the Branch apparently would have to move elsewhere if it had to expand later and this property was not available. A director of the Charlotte Branch experienced in real estate operations felt that if the Reserve Bank did not buy the property some other party would acquire it for speculative purposes, and that a substantial profit probably would be realized over a period of years.

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Governor Balderston raised a question as to whether the present location of the Charlotte Branch was satisfactory, to which Mr. Farrell replied that the Branch was in the central business area of the city and that, as far as he knew, the location was presently and prospectively satisfactory.

Governor Mills said that, unless there was some indication that the directors of the Richmond Reserve Bank and the Charlotte Branch had allowed their enthusiasm to run away with them, he would be inclined to accept their judgment. Over the years, he noted, the mistakes of the Reserve Banks had been mostly on the side of not providing adequately for future needs. Charlotte, he noted, was in an area that seemed destined to grow as industry moved more and more into the Southern States.

After further discussion of various aspects of the matter, Governor Szymczak suggested that it might be desirable to discuss the matter with Mr. Decker, Chairman of the Federal Reserve Bank of Richmond, and get his personal reactions to the proposal.

There being agreement with this suggestion, the purchase of the property in question was approved unanimously contingent upon Governor Balderston's discussing the matter with Chairman Decker. It was understood that if conversation with Chairman Decker revealed reservations on the latter's part the matter would be brought back to the Board for further consideration.

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Application of BancOhio Corporation (Item No. 3). There had been distributed a memorandum from the Legal Division dated August 15, 1960, regarding the request of Hearing Examiner Edward H. McMahan for an extension until September 15, 1960, of the time for filing his Report and Recommended Decision in the matter of the application of BancOhio Corporation, Columbus, Ohio, for the acquisition of voting shares of The Hilliard Bank, Hilliards, Ohio. The time for filing proposed findings and conclusions in the BancOhio case had expired August 1, 1960, and the Hearing Examiner's Report therefore was due before the close of business today. The request for an extension of time was occasioned by another assignment of the Hearing Examiner, and a draft of Order that would grant the requested extension was submitted with the memorandum.

The proposed Order, a copy of which is attached as Item No. 3, was approved unanimously.

Advice of applications received. A memorandum from Mr. Solomon dated August 11, 1960, relating to furnishing advice to members of the Board regarding receipt of applications for approval of bank mergers or for approval of acquisitions by bank holding companies had been distributed. The memorandum pointed out that notices of receipt of applications under the Bank Holding Company Act are published in the Federal Register, and that such a notice might be published without members of the Board being aware that the application had been received in the Board's offices.

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Question therefore was raised as to whether it would be of interest to the members of the Board to receive periodically a list of applications received at the Board's offices under the Bank Holding Company Act and also under the new bank merger legislation.

After a brief discussion, it was agreed that the Division of Examinations should furnish this information to the Board members each week.

Absorption of exchange charges. Pursuant to the understanding at the Board meeting on August 12, there had been distributed an alternative draft of reply to a letter of August 6, 1960, from Mr. W. D. Malone, Chairman of the Board of The First National Bank of Dothan, Dothan, Alabama, relative to the Board's recent ruling on absorption of exchange charges.

In a discussion of the matter, Governor Mills suggested that if it should be decided to send the revised draft of reply there be deleted therefrom certain language which might be interpreted as a threat that the Board was going to Congress for new legislation or, on the other hand, might be interpreted to mean that some modification of the recent interpretation was under consideration.

Reference then was made to the possibility, mentioned previously at the August 12 meeting, of discussing the matter with President Bryan of the Federal Reserve Bank of Atlanta, who would be in Washington tomorrow for a meeting of the Federal Open Market Committee, and it was

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agreed that this procedure would be advisable. In this connection it was suggested that perhaps the letter from Mr. Malone could be referred to Mr. Bryan for handling in such manner as the latter might deem most appropriate.

The meeting then adjourned.

Secretary's Notes: Advice was received today that the directors of the Federal Reserve Bank of Atlanta had established, subject to the approval of the Board of Governors, a rate of 3 per cent (rather than 3-1/2 per cent) on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, a rate of 3-1/2 per cent on advances to member banks under section 10(b), and a rate of 4-1/2 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13. Pursuant to the authorization given to the Secretary's Office by the Board on August 11, 1960, the Federal Reserve Bank of Atlanta was informed of approval of the rates established by its directors, effective August 16, 1960. A press release in the usual form was issued at 4:00 p.m. EDT, all Reserve Banks and branches were notified by telegram, and arrangements were made for publication of a notice in the Federal Register.

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

Transfer

Juanita S. Carpenter, from the position of Secretary in the Office of the Secretary to that of Secretary in the Division of Research and Statistics, with an increase in her basic annual salary from \$5,335 to \$5,655, effective August 21, 1960.

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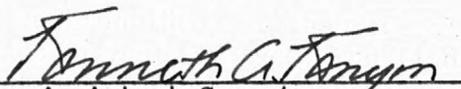
Resignation

Cornelia J. Motheral, Economist, Division of Research and Statistics, effective August 6, 1960.

Outside business and teaching activities

Paul Gekker, Economist, Division of International Finance, to conduct a graduate seminar in the economies of the Soviet bloc at George Washington University on Wednesday evenings during the 1960 fall semester.

Edward D. Rogers, Cafeteria Laborer, Division of Administrative Services, to work part time as a caretaker for Carey Winston Co., 1723 Connecticut Avenue, N. W., Washington, D. C.


Assistant Secretary

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

Item No. 1
8/15/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 15, 1960

Board of Directors,
Commercial Trust Company of New Jersey,
Jersey City, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, and finding the transaction to be in the public interest, hereby consents to the purchase of assets and assumption of liabilities of Weehawken Trust Company, Union City, New Jersey, by Commercial Trust Company of New Jersey, Jersey City, New Jersey. The Board of Governors also approves the establishment of branches by Commercial Trust Company of New Jersey at the following locations of the present offices of Weehawken Trust Company:

- 4800 Bergenline Avenue, Union City, New Jersey
- 1020 Summit Avenue, Union City, New Jersey

The approval is given provided (1) the transactions are effected substantially in accordance with the agreement submitted with the application and consummated within six months from the date of this letter, and (2) the securities and fixed assets acquired are not placed upon the books of Commercial Trust Company of New Jersey at amounts in excess of market value and depreciated value for Federal income tax purposes, respectively.

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
8/15/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 15, 1960



Mr. George K. Connell, Treasurer,
Marine Midland Corporation,
Marine Trust Building,
Buffalo 5, New York.

Dear Mr. Connell:

This refers to your letter of March 29, 1960, requesting a ruling by the Board regarding the "book value" of Marine Midland Corporation's own shares outstanding to be used by your Corporation in computing reserves of readily marketable assets required by subsection (c) of Section 5144, Revised Statutes.

Basically, your Corporation is of the opinion that its actual recorded book value of \$385.2 million (not considering its memorandum accounts involving some \$209.7 million), plus additional factors totaling some \$55.4 million should govern for the purpose of Section 5144 computations, but when surveying the problem from the hypothetical position that book value should be as set down in its annual report, \$175.5 million, definite factors should be considered as minimum additions to such value as follows: (1) Marine Midland's equity of \$45.1 million in its subsidiaries' reserves for possible loan losses, accumulated mostly under the provisions of Section 166(c) of the Internal Revenue Code; (2) the \$2.9 million of write-offs of physical assets by the subsidiary banks representing the depreciated values thereof for tax purposes had such assets been capitalized; and (3) the \$7.4 million excess of cost over Marine Midland's proportionate interest, at dates of acquisition, in the capital, surplus, and undivided profits of banks acquired since January 1, 1935.

Your letter states that you would appreciate the opportunity of discussing these items with us, if deemed advisable. Careful consideration has been given to the comments and information contained in your letter and its enclosures and it is felt your Corporation's position in this matter, and the facts upon which it is based, are clearly and completely presented therein.

Mr. George K. Connell

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It is observed particularly that Marine Midland Corporation has consistently for many years presented the "book value" of its own shares outstanding to its shareholders and to the public on a basis that differs from the basic opinion of your Corporation as set forth in your letter and that excludes the three items described above. The Board feels that it cannot properly discharge its responsibilities for interpreting and administering the requirements of Section 5144, Revised Statutes, by assigning to the term "book value" for purposes of Section 5144 a meaning deviating from and less conservative than that used by the holding company affiliate in its published balance sheets.

Accordingly, the Board reaffirms the opinion expressed in the letter of December 17, 1951, addressed to Mr. Bayard F. Pope, Chairman of the Board of Marine Midland, by Mr. R. B. Wiltse, Vice President of the Federal Reserve Bank of New York, to the effect that on the basis of the accounting and reporting procedures followed by Marine Midland Corporation, the book value of the Corporation's own shares outstanding, within the meaning of Section 5144, Revised Statutes, is as reflected in the Corporation's balance sheets included in reports to its shareholders and to the Board.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

