

Minutes for August 18, 1960

To: Members of the Board

From: Office of the Secretary

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

It is 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 22 Establishment of a discount rate of 3 per cent for the Federal Reserve Banks of Philadelphia, Chicago, and St. Louis.

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

(m)
MM

Gov. Szymczak

[Signature]

Gov. Mills

Gov. Robertson

[Signature]

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Minutes of the Board of Governors of the Federal Reserve System

on Thursday, August 18, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Masters, Associate Director, Division
of Examinations
Mr. Kiley, Assistant Director, Division of
Bank Operations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel

Report on competitive factors: Englewood-Bergenfield, New Jersey.

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Bergenfield National Bank and Trust Company, Bergenfield, New Jersey, and the Citizens National Bank of Englewood, Englewood, New Jersey, under the charter and title of the latter had been distributed under date of August 9, 1960. The conclusion stated therein was as follows:

The proposed consolidation will eliminate no existing banking facilities. Competition between the two banks now is limited, and Bergenfield customers should benefit as the consolidated bank will be able to provide more and better services for them. Area competition may be enhanced by the entry of this larger bank into Bergenfield. Any effect on competition at the county level should be negligible as such competition will continue to be very keen.

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No objection being indicated, the report was approved unanimously for transmittal to the Comptroller.

Report on competitive factors: Alma-Riverdale, Michigan. A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of the Bank of Alma, Alma, Michigan, and the Riverdale State Savings Bank, Riverdale, Michigan, had been distributed under date of August 1, 1960. The conclusion stated therein was as follows:

The proposed consolidation will result in the elimination of a small country bank and the limited competition it provides. It would increase the concentration of banking resources of the Bank of Alma in the immediate trade area.

No objection being indicated, the report was approved unanimously for transmittal to the Corporation.

Change in location of South African bank (Item No. 1). Pursuant to the favorable recommendations of the Division of Examinations and the Federal Reserve Bank of New York, as set forth in a file that had been circulated to the Board, unanimous approval was given to a letter to Chase Manhattan Overseas Corporation, New York City, consenting to a change in the location of the head office of The Chase Manhattan Bank (South Africa) Ltd., Johannesburg, Union of South Africa, and the establishment of a branch in the premises now occupied by the present head office. A copy of the letter is attached as Item No. 1.

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Application of Citizens Fidelity Bank and Trust Company (Item No. 2).

There had been distributed to the members of the Board copies of a memorandum from the Division of Examinations dated August 9, 1960, regarding the application of Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, to purchase the assets and assume the liabilities of the Bank of Louisville, Louisville, Kentucky, and to operate the present offices of the latter bank as branches.

Both the Federal Reserve Bank of St. Louis and the Board's Division of Examinations recommended approval of the application. Reports from the Comptroller of the Currency and the Federal Deposit Insurance Corporation expressed the opinion that the proposed merger would not affect competition adversely, but the report of the Department of Justice stated in part that "...it is our conclusion that the proposed merger between Citizens Fidelity Bank and Bank of Louisville would have a seriously adverse effect on competition in Louisville, that it would lessen competition and foster a tendency to monopoly in the area."

In commenting on the matter, Mr. Nelson pointed out that the proposal involved the first and seventh largest banks in Louisville. As of December 31, 1959, Citizens Fidelity Bank and Trust Company had deposits of \$257,386,000 and Bank of Louisville had deposits of \$20,007,000. Deposits of Citizens Fidelity included a number of large commercial accounts; those of the Bank of Louisville represented chiefly accounts of individuals. The facilities of

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Citizens Fidelity included a main office and nine branches; two additional branches had been approved but were not yet open for business. The Bank of Louisville was operating a main office and three branches, all of which the resulting bank would contemplate continuing as branches.

Mr. Nelson then commented on the various factors enumerated for consideration under section 18(c) of the Federal Deposit Insurance Act. In doing so, he noted that the condition of both banks was generally satisfactory; the capital of Citizens Fidelity was considered satisfactory, and that of the Bank of Louisville slightly inadequate. The earnings records of both banks were reasonably satisfactory. The management of Citizens Fidelity was favorably regarded, while the management of the Bank of Louisville was somewhat aged and there was a problem of replacement. The main offices of the two banks planning to merge were approximately two blocks apart in downtown Louisville, and if the merger were effected the continuing bank would have six of the eighteen downtown banking offices. There would be no serious overlapping of areas served by the offices of the resulting bank, and it was thought that adequate competition would be supplied by offices of other banks.

Mr. Nelson noted that the city of Louisville contained nine banks, with 69 offices. After the proposed merger, the resulting bank would have about 35 per cent of local deposits and 23 per cent of banking offices. While the proposed merger would result in some contraction of competition,

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there would be an improvement in the capital situation and management from the standpoint of the Bank of Louisville. Also, the resulting bank would have a larger loan limit and would offer full trust services.

Mr. Nelson then referred to a proposed merger of The First National Bank of Louisville and Lincoln Bank and Trust Company, both of Louisville, Kentucky, which was now pending before the Comptroller of the Currency. In a report dated August 1, 1960, to the Comptroller of the Currency on the competitive factors involved in this proposed merger the Board had indicated that the transaction would eliminate from local and regional competition an important competing bank and would increase to a substantial degree the concentration of commercial banking resources of the community. If the merger under the jurisdiction of the Comptroller of the Currency were effected, the resulting bank would have about 32 per cent of local deposits and 36 per cent of the banking offices. If both mergers should be approved, the two resulting banks would have about 67 per cent of deposits and 59 per cent of the banking offices.

Mr. Masters commented that the business of the two banks (Citizens Fidelity and Bank of Louisville) was more complementary than competitive and that the relative position of Citizens Fidelity in the city of Louisville would not be changed greatly by the merger. He was of the opinion that the difference in the types of business handled by the two banks was rather significant. Citizens Fidelity concentrated on serving the commercial and

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industrial needs of the community and had an important correspondent banking business, while the other bank served smaller depositors and engaged rather extensively in making consumer and real estate loans. The Bank of Louisville had no trust business and its correspondent bank business was relatively unimportant. On balance, Mr. Masters thought that the proposed merger should be approved as in the public interest.

Mr. Hackley commented that this appeared to be a close case. As a result of the merger there would be an improvement of the capital situation of the Bank of Louisville, and possibly improvement in management. In view of the limited extent of the lessening of competition, he felt, for the reasons Mr. Masters had stated, that the merger could be considered to be in the public interest.

Governor Robertson said he would vote to disapprove the application of Citizens Fidelity, feeling that it fell squarely within the area of cases contemplated for disapproval by the recent bank merger legislation. In this case, the largest bank in the city was attempting to take over the seventh largest bank. This would, of course, be advantageous so far as Citizens Fidelity was concerned, since that bank would thereby increase its consumer loan business and obtain four additional banking offices in an economical way. However, the merger would permit Citizens Fidelity, already the largest bank in the city, to become larger through taking over offices of another bank, thereby eliminating alternative sources of credit, and this was exactly the kind of merger that in his opinion the statute was intended to prevent.

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While, as had been said, Citizens Fidelity engaged primarily in extending large loans, it had also gone into consumer credit and was competing with the Bank of Louisville in this field. By the merger the Bank of Louisville, with deposits of about \$20 million, would be eliminated and would no longer be available for customers preferring a bank of this size or persons who might have been turned down by a larger bank. If the Board should approve the application of Citizens Fidelity and the Comptroller of the Currency should approve the merger of The First National Bank of Louisville and Lincoln Bank and Trust Company, there would appear to be no way of preventing the two resulting institutions from absorbing other smaller banks, since the same arguments could be used as presented by Citizens Fidelity in this case. Accordingly, he would disapprove the application on the grounds that the proposed transaction would be inconsistent with the spirit of the merger statute, there being in his opinion no factors that would outweigh the diminution of competition resulting from the merger.

In further comments, Governor Robertson noted that the Bank of Louisville was slightly undercapitalized, but that this was essentially a supervisory problem. No one could say that the bank was not well managed at the moment, but if it were not, that again was a supervisory problem. It had no trust department, but persons desiring trust services could go to other banks. In summary, as he had said before, he found no factors that would offset the diminution of competition that would result from the merger.

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Governor Shepardson stated that although there were certain arguments for approval of the application, this seemed to be one of those marginal cases involving a tendency for the largest bank in the area to gain a still more dominant position. He felt that the Board could not overlook the fact that another proposed merger in Louisville was pending in the Office of the Comptroller of the Currency. If it were consummated and the Board should approve the application of Citizens Fidelity, there would be a high degree of concentration of banking in Louisville within the two resulting banks. Therefore, taking into account the somewhat questionable features of the application of Citizens Fidelity as well as the other pending application, he would vote to disapprove the application now before the Board.

Governor King observed that this case would seem to be an ideal marriage from the standpoint of the two banks involved. No doubt both banks were convinced that the merger would be good for them, and possibly the merger would also have some good effects for the public in certain ways. However, according to information that had come to his attention, the business community in Louisville looked upon both of the proposed mergers with quite a bit of apprehension. It was felt that if the mergers should be effected, the two resulting banks would be so dominant that many of the business accounts would have no choice except to deal with one of these two banks, and it would be relatively easy for the two large competitors to get their

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heads together. Governor King then indicated that he would disapprove the application.

Governor Szymczak commented that he regarded this case as a very close one, as indicated by the Examinations and Legal Divisions. However, on balance, he thought it would be preferable to disapprove the application, and he would so vote.

Governor Balderston indicated that he agreed.

Question then was raised as to whether the Board wished to advise the Federal Reserve Bank of St. Louis that it proposed to disapprove the application inasmuch as the Reserve Bank had recommended favorably.

Governor Robertson felt that there were arguments on both sides of the procedural question. There had been a policy of checking with the Reserve Banks in similar circumstances in cases involving the establishment of branches and granting of national bank charters. In this case a new statute was involved and a precedent was being set. In view of the pressures that would flow out of a situation of this type, he believed it would be better for the Board, which had final responsibility for the action, to act without going back to the Reserve Bank. If it went back, the Bank would be placed in a difficult position, particularly because of its closeness to the local scene. Furthermore, the Reserve Bank had already submitted its analysis of the case and its recommendation, and he doubted that the Bank could furnish additional information that would be of significance. In the

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circumstances, a further check with the Reserve Bank might seem to represent an effort to induce the Bank to change its recommendation. Accordingly, his inclination was to think that the Board should act on the basis of the information at its disposal.

In further discussion of the procedural question, other members of the Board expressed views similar to those stated by Governor Robertson. At the same time, it was felt that the Reserve Bank should be notified of the Board's decision before that decision was made known to the applicant, and that there should be an opportunity for the Reserve Bank to advise its Louisville Branch.

The application of Citizens Fidelity Bank and Trust Company to purchase the assets and assume the liabilities of the Bank of Louisville was then disapproved by unanimous vote, with the understanding that an appropriate letter reflecting the decision would be prepared for transmittal to the applicant bank. It was also understood that the President of the Federal Reserve Bank of St. Louis would be advised by telephone of the decision, that an opportunity would be given for him to inform the Louisville Branch, and that the Chairman of the Board of Citizens Fidelity Bank and Trust Company, who had expressed an interest in being informed of the Board's decision as promptly as possible after it was made, would then be advised of the decision by telephone, after which the letter reflecting the decision would be sent to the bank.

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A copy of the letter sent to Citizens Fidelity Bank and Trust Company pursuant to this action is attached as Item No. 2.

During the discussion of the foregoing item Mr. Smith, Assistant Director, Division of Examinations, entered the room, and at this point Messrs. Nelson and Hooff withdrew.

Supplemental reply to question from Hardy Subcommittee. There had been distributed to the Board copies of a memorandum from Mr. Farrell dated July 28, 1960, submitting a supplemental reply to one of the questions raised by the Subcommittee on Foreign Operations and Monetary Affairs of the House Government Operations Committee in the letter from the Subcommittee Chairman to Chairman Martin dated June 10, 1960. This question related to whether it would be of economic advantage to the Treasury and the Federal Reserve System to provide for destruction of Federal Reserve notes at the Federal Reserve Banks. On June 29, 1960, information on this subject had been submitted by the Board to the Subcommittee. At that time it was indicated (a) that, while there would be some savings if Federal Reserve notes were destroyed at the Reserve Banks rather than in Washington, there would appear to be a broader question as to whether the savings would be great enough to offset the additional risks involved, and (b) that there would be submitted a supplemental memorandum comparing in some detail the cost and procedures of the present and the proposed methods of destroying Federal Reserve notes.

In commenting, Mr. Farrell pointed out that the supplemental reply went into considerable detail in describing the way in which Treasury currency

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and Federal Reserve notes are handled at the Federal Reserve Banks. It would afford the Subcommittee an opportunity to appraise the differences between the dangers inherent in handling fit and unfit currency and would serve, perhaps, to show that the Board was not "seeing ghosts" when it said there were dangers in any operation involving the destruction of currency. Obviously, those dangers would be greater in the case of Federal Reserve notes than in the case of Treasury currency because of the higher denominations involved. By destroying Federal Reserve notes at the respective Banks, about \$170,000 per year in shipping charges to Washington would be saved on the basis of present volume, but it was estimated that about two-thirds of this would be offset by the decentralization of work now done at a centralized location, thus leaving a net saving of about \$63,000 per annum. The conclusion stated in the supplemental memorandum was that the advantage of such a saving through decentralization of the destruction of Federal Reserve notes to the Federal Reserve Banks was outweighed in importance by the potential risks.

After discussion the supplemental reply was approved unanimously, with the understanding that it would be sent to the Subcommittee Chairman with an appropriate letter of transmittal.

Contingent fund at Kansas City Reserve Bank. A memorandum dated August 11, 1960, from the Division of Examinations regarding a contingent fund at the Federal Reserve Bank of Kansas City had been distributed. The memorandum pointed out that the fund, in existence for many years, had a

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present balance in excess of \$11,000. It was not recorded on the general books of the Reserve Bank and did not appear in any of the Bank's statements. Since the Board apparently had not considered this fund in recent years, the memorandum suggested that it might be appropriate to review the matter at this time.

The contingent fund had its origin in an arrangement that was in effect prior to 1924 for handling notary fees derived from the protesting of unpaid items. Since the fees collected exceeded the expenses incident to rendering notary services, a balance was accumulated and the surplus was used for other purposes. In a letter dated April 25, 1919, the Kansas City Reserve Bank indicated that the fund was maintained for the purpose of making small contributions that could not legally be made by the Bank and charged to expense.

On March 6, 1924, the Board advised the Kansas City Reserve Bank that the practice whereby its notary was deprived of official fees for notarial services rendered should be discontinued. At that time the Board expressed the thought that the balance of the fund could be used "for the purpose of promoting legitimate welfare work among employees of the Bank."

On February 15, 1940, the Board of Directors of the Kansas City Reserve Bank adopted a resolution to consolidate the contingent fund with a "charity fund" and an "employees emergency fund." Pursuant to that resolution, an amount of \$500 subsequently was allocated from the fund to each of the Reserve Bank's branches and the fund of each office was held

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in the custody of an appointed trustee. Disbursements at the head office were to be made only upon approval of the President or a Vice President, and those at the branches would require approval of the Vice President or Cashier. It was determined that the fund would be used for minor disbursements involving donations to charities and civic and religious groups; employee welfare and education; flowers for funerals, table decorations, etc.; and other incidental expenditures for which charges to Bank expense would be questionable. Later the fund was placed in the custody of a trustee at the head office and subsequent disbursements for all offices in the District were made subject to the approval of two senior officers of the head office staff.

It was suggested in the memorandum that the existence of the fund would seem to give rise to the following questions: (1) Is it appropriate, as a matter of principle, for the Reserve Bank to hold assets that are not recorded on the books? (2) Is it equitable that, by use of the fund, the Federal Reserve Bank of Kansas City is enabled to make donations or other disbursements that would not be considered an appropriate type of expense for a Federal Reserve Bank?

In commenting on the fund, Mr. Smith noted that it apparently had not been considered by the Board for a number of years and that it therefore would be helpful to have the guidance of the Board as to what, if any, steps should be taken.

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Governor Balderston inquired whether the Kansas City Reserve Bank maintained a loan fund for the benefit of employees, and Mr. Smith replied that such loans were made from the Bank's funds.

Mr. Farrell expressed the view that it was an undesirable practice for the Bank to administer a fund of this kind which was not included on its books. In this manner, he pointed out, the Bank could make various contributions that, if made at other Reserve Banks, might be questioned by the Board's examiners. He suggested that the money could be turned over to an employees' club, whose officers could administer the fund in a manner similar to that in which the funds of the Reserve Board Club are handled.

Mr. Hackley expressed agreement with the views stated by Mr. Farrell. He saw no objection to such a fund if it were used solely for employee welfare, but he concurred in the thought that the fund should not be maintained and administered on the current basis. It would be preferable, in his opinion, for the fund to be subject to the control of an employee group.

There followed comments by the members of the Board, from which it developed to be the unanimous opinion that the Reserve Bank should not continue to maintain and administer the contingent fund on the present basis. There was agreement with the suggestion that the Board's view be communicated to the Reserve Bank informally, leaving the management of the Bank to develop a solution to the problem. Accordingly, it was understood that Governor Balderston would discuss the matter with the Chairman of the Board of the

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Kansas City Reserve Bank, advising the latter of the Board's concern and requesting advice as to the steps decided upon by the Kansas City Bank.

Loans to foreign branch officers of American bank. At the request of Governor Balderston, Messrs. Hackley and Goodman reported on their further study of a matter, discussed at yesterday's meeting, to which attention had been drawn informally by the President of The First National City Bank of New York. The problem involved an apparent conflict between the terms of a Colombian Executive Order requiring banks in that country to make loans to officers and employees at a stipulated rate of interest for the purpose of acquiring homes and the provisions of section 22(g) of the Federal Reserve Act which prohibit loans by member banks to executive officers in amounts in excess of \$2,500.

With respect to the situation in Colombia, Mr. Hackley said it appeared that as a result of a labor dispute affecting bank employees in that country, an Executive Order was issued requiring all banks to make loans to employees for the purpose of purchasing homes. Under a provision of Colombian law, such loans were merely authorized, but the Executive Order made them mandatory and a subsequent Order extended the decree to The First National City Bank. It appeared to him that without question any loans made pursuant to the Order would be loans in a legal sense and that they would violate the letter of section 22(g). On the other hand, loans made under such conditions could hardly open the door to the abuses that were contemplated by that section of the Act, so it could be said that the spirit and purposes

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of section 22(g) would not be violated. In view of the fact that these would be "forced loans", it might also be argued that they could be regarded as in the nature of fringe benefits, like certain other benefits provided by Colombian law. His own feeling, Mr. Hackley said, was not based on the theory that such loans would be in the nature of fringe benefits, but rather that they were mandatory under local law and for that reason would not seem to be inconsistent with the purposes of section 22(g).

Mr. Goodman reported having discussed the problem informally with the Deputy Comptroller of the Currency, who indicated that he would be rather sympathetic toward trying to help out the member bank in the circumstances. Mr. Goodman then suggested the possibility that First National City might regard any advances under the Colombian Executive Order as in the nature of compensation rather than loans, that any such advances be written off immediately, and that repayments be regarded as recoveries.

There followed discussion during which it was stated that the bank had received thus far six applications from officers totaling about \$50,000.

Governor Robertson then expressed the view that any such transactions must be regarded as loans which would therefore come within the letter, although not the spirit, of section 22(g). In the circumstances, he suggested indicating to First National City that it might be preferable for the bank not to present the question to the Board formally. This contemplated that no suggestion would be made as to how First National City might handle the matter within its own organization. While it was recognized

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that the bank had the right to raise the question with the Board formally if it so desired, the Board apparently would have no alternative except to reply in terms of the language of the pertinent provisions of the Federal Reserve Act.

In the discussion that ensued, Governor Szymczak expressed the opinion that the matter was of a more serious nature than might be indicated by the single incident in Colombia, for similar questions were likely to arise elsewhere and the whole problem of the basis of operations of foreign branches of American banks was involved. He noted that in connection with the Financial Institutions Act a suggestion had been made for legislation that would have permitted branches of American banks abroad to operate in the same manner as banks in the countries where the branches were located, thereby placing such branches on a fully competitive basis. However, such legislation was not enacted and problems such as that confronting First National City in Colombia continued to arise. It was his opinion that the only answer to the general problem was in securing legislation. In the present circumstances, he felt that the procedure suggested by Governor Robertson was appropriate, but that a full record of the current incident should be placed in the Board's files so that this and other illustrations would be available at such time as legislation might be under consideration.

Governor Robertson then added to his previous comments by saying that he would see no objection to pointing out to First National City that the problem of operations of branches of American banks in foreign countries

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had been raised in connection with the Financial Institutions Act and that the problem was one that would have to be taken up by the Congress sooner or later.

After further consideration, agreement was expressed that the matter should be handled along the lines suggested by Governors Robertson and Szymczak.

All of the members of the staff except Messrs. Kenyon and Molony then withdrew and Messrs. Young, Adviser to the Board, and Knipe, Consultant to the Chairman, entered the room.

Public information program. Governor Balderston referred to conversations that he had had with certain members of the staff regarding the matter of communicating information on the philosophy, problems, and procedures of the Federal Reserve System to various audiences, ranging from academicians to less sophisticated groups. He suggested that the Board might want to have some discussion of this matter and perhaps request the staff to go forward with the preparation of a program, for the Board's consideration, that would meet what he considered to have been a long-felt need.

The other members of the Board indicated that they would favor such a discussion and each expressed certain views.

Governor Robertson stated that in his opinion there was a substantial public relations problem that had not been met over the years and that he would consider it appropriate to request members of the staff to come forward

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with a list of suggestions that the Board might consider in laying out a program. As examples of projects that might be considered, Governor Robertson mentioned a revision of the booklet on the purposes and functions of the Federal Reserve System that could be read more easily by the average person, or perhaps a different type of booklet; the preparation of a review of Federal Reserve operations over a given period of time for submission to outstanding economists who would be asked to come to the Board for discussion; and the extending of invitations to various groups periodically to visit the Board's offices for the presentation of programs along the lines of the chart shows now presented to various groups upon request.

Governor Shepardson referred to the various types of audiences that should be reached and suggested that perhaps too much of the Board's literature had been directed toward a limited segment of the total audience. He felt that information should be made available in terms that the general public could grasp and understand more easily, and that possibly two different kinds of literature were needed. In making this comment, he did not mean to infer a lowering of the accuracy or competence of material issued by the Board, but rather an exploration of the different ways in which information might be provided. For this purpose, augmentation of the editorial staff of the Board might be indicated.

Governor King suggested a need for the Board to take action on its own initiative instead of waiting for requests to be received. Also, he felt that articles in the Federal Reserve Bulletin or other similar publications

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were not likely to be read by a wide audience and that an effort therefore should be made to try to reach the general public in other ways, with emphasis on encouraging articles in the press from time to time. Along these lines, he suggested that when members of the Board went out to make speeches they might endeavor to place themselves at the disposal of members of the press.

Governor Szymczak noted that this was a subject to which consideration had been given many times over the years and that some progress had been made. He felt that efforts at further progress should continue looking toward the dissemination of information concerning the System by whatever means were available and appropriate.

Governor Balderston expressed the view that a piecemeal approach would not be adequate, that consideration should be given to the types of work being done by the Federal Reserve Banks, and that an appropriate program should be formulated even if some cost was involved.

Messrs. Young, Molony, and Knipe then presented their views on the present status of the Board's public information program and on the kinds of additional work that might be undertaken. At the conclusion of the discussion, it was understood that each of them would give further consideration to the matter and would submit a memorandum outlining existing problems and the steps that in his opinion might appropriately be taken.

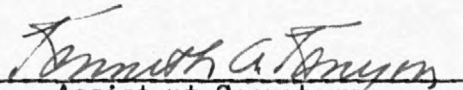
The meeting then adjourned.

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Secretary's Note: Advice was received today that the directors of the Federal Reserve Banks of Philadelphia, Chicago, and St. Louis had established, subject to review and determination by the Board of Governors, the following rates: 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; 3-1/2 per cent (rather than 4 per cent) on advances to member banks under section 10(b); Philadelphia--4-1/2 per cent (rather than 5 per cent), Chicago--4-1/2 per cent (without change), St. Louis--4 per cent (rather than 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 Board's outstanding authorization, the Reserve Banks were advised by the Secretary's Office of approval of such rates, effective August 19, 1960. A press statement in the usual form was issued at 4:00 p.m. EDT, all Federal Reserve Banks and branches were informed by wire of the action taken, and arrangements were made for publication of a notice in the Federal Register.

Pursuant to the Board's outstanding authorization, telegrams were sent on August 18, 1960, to the Federal Reserve Banks of New York and San Francisco approving the establishment without change on August 18, 1960, of the rates on discounts and advances in their existing schedules.


Assistant Secretary

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

Item No. 1
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 18, 1960



Mr. Charles Cain, Jr.,
Chairman and President,
Chase Manhattan Overseas Corporation,
Eighteen Pine Street,
New York 45, New York.

Dear Mr. Cain:

In accordance with your request and on the basis of the information furnished in your letter of June 30, 1960, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to:

- (1) A change in location of the Head Office of The Chase Manhattan Bank (South Africa) Ltd., Johannesburg, Union of South Africa, from S. A. Fire House, 103 Fox Street, to Eagle Star House, corner of Fox and Sauer Streets, Johannesburg; and
- (2) The establishment of a branch of the South African bank to be located in the premises now occupied by the present Head Office at S. A. Fire House, 103 Fox Street, Johannesburg.

The location of the Head Office, after removal, and the location of the proposed branch may not be changed without the prior approval of the Board of Governors.

Unless the Head Office is removed to the new location and the branch is actually established and opened for business on or before August 1, 1961, all rights granted hereby will be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Mr. Charles Cain, Jr.

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Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the Head Office is removed to the new location and when the branch is established and opened for business.

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
8/18/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 18, 1960.

Board of Directors,
Citizens Fidelity Bank and Trust Company,
Louisville, Kentucky.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of St. Louis for consent under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, to the purchase of assets and assumption of liabilities of Bank of Louisville, Louisville, Kentucky, by Citizens Fidelity Bank and Trust Company and for approval of the establishment of branches by Citizens Fidelity Bank and Trust Company in the present location of the offices of Bank of Louisville.

After reviewing this proposal in the light of all the factors to be considered under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, the Board of Governors does not feel justified in giving its consent to the proposed transaction.

Despite certain favorable aspects of the proposal, it is the Board's judgment that those favorable factors are insufficient to counterbalance other effects of the transaction, including a lessening of competition, the elimination of one alternative source of banking facilities in Louisville, and a further increase in concentration of the commercial banking resources of the area in one institution. For these reasons the Board does not find the transaction to be in the public interest.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.