

Minutes for August 19, 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

W

Gov. Szymczak

MS

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

SS

Gov. King

[Signature]

Minutes of the Board of Governors of the Federal Reserve System
on Friday, August 19, 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. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Masters, Associate Director, Division of
Examinations
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel
Mr. Collier, Chief, Current Series Section, Division
of Bank Operations

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

Item No.

1

Letter to the Federal Reserve Bank of Atlanta
approving the appointment of Jack Sicard, D. E.
Plaster, and Eric Hingst as Alternate Assistant
Federal Reserve Agents.

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Item No.

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| Letter to Valley Bank and Trust Company, Springfield, Massachusetts, approving an extension of time to establish a branch at 82 North Elm Street, Westfield. | 2 |
| Letter to the Federal Reserve Bank of San Francisco stating that the office of California Bank, Los Angeles, California, located at 626 South Spring Street will no longer be regarded as a branch in view of the recent transfer of certain functions to the head office of the bank. | 3 |
| Letter to The Chase Manhattan Bank, New York City, authorizing the establishment of a branch in Lagos, Nigeria. | 4 |
| Letter to Citizens State Bank, Tupelo, Mississippi, granting permission to operate its present branch at 122 West Main Street as a permanent branch. | 5 |
| Letter to City National Bank of Tulsa, Tulsa, Oklahoma, granting its request for permission to maintain reduced reserves. | 6 |

Messrs. Johnson and Goodman then withdrew from the meeting.

Oklahoma City Branch building program (Item No. 7). A memorandum dated August 18, 1960, from the Division of Bank Operations regarding the building program of the Oklahoma City Branch had been distributed.

On June 22, 1960, the Board authorized the Federal Reserve Bank of Kansas City to call for bids for construction of an addition and alterations to the Oklahoma City Branch building. The Board was advised in a letter dated August 12, 1960, from President Leedy that seven bids had been received and that the directors of the head office and the branch recommended acceptance of the low bids for general construction and

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for vault and kitchen equipment. The bid data contained in the Reserve Bank's letter had been reviewed by the Board's Consulting Architect, who concurred in the recommendation of the Bank. The total cost of the program, including the architect's fee and allowance for contingencies, was \$2,117,200, approximately \$414,000 less than the estimate compiled by the Bank's architect last May.

In commenting on the matter, Mr. Farrell stated that, since the low bid was substantially less than the estimate compiled last May, the Bank's architect had been asked to review the principal items with the low bidder. Subsequently, the Board was advised that the architect was satisfied that nothing required by the program specifications and drawings had been omitted.

The Board then approved a telegram to the Kansas City Bank interposing no objection to acceptance of the low bids and authorizing a total expenditure of approximately \$2,117,200 for the Oklahoma City Branch building program. A copy of the telegram is attached as Item No. 7.

Conference of examiners. Pursuant to the recommendation in a memorandum dated August 11, 1960, from Mr. Solomon, which had been circulated, the Board authorized a conference of representatives of the Bank Examination Departments of the Federal Reserve Banks on Friday, September 23, 1960, in connection with the Annual Convention of the National Association of Supervisors of State Banks in Atlantic City, New Jersey.

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Application of Security-Mutual Bank and Trust Company (Item No. 8). There had been circulated a memorandum from the Division of Examinations dated July 25, 1960, regarding an application of Security-Mutual Bank and Trust Company, St. Louis, Missouri, to merge with The Plaza Bank of St. Louis, St. Louis, Missouri, under the charter and name of the applicant bank. Also, a memorandum from Mr. Solomon dated August 15, 1960, discussing certain rather unusual features of the proposed merger had been distributed.

As pointed out in the memoranda, the Missouri statutes forbid branch banking, except that each bank may have one limited-power drive-in or walk-up office within 1,000 yards of its head office. Such an office may only receive deposits, cash checks, and make change. Under the proposed merger the present office of Plaza Bank would be closed, and new facilities being built by that bank would be operated as a limited-power branch by the continuing institution. As a result, the area would lose an office now providing lending and safe deposit facilities; the nearest such facilities would be the present main office of Security-Mutual about six blocks away.

Reports from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the proposed merger indicated that it would not affect competition adversely. The Federal Reserve Bank of St. Louis recommended approval of the merger, but the Division of Examinations recommended disapproval.

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In commenting on the proposed merger, Mr. Nelson said that at the time the July 25, 1960, memorandum was prepared the Division of Examinations had recommended disapproval of the application on the grounds that replacement of the full banking services now offered by Plaza Bank by the limited type that could be offered by a branch under State law would result in a lessening of bank services and, accordingly, the merger would not be in the public interest.

When President Johns of the St. Louis Reserve Bank was at the Board earlier this week, Mr. Nelson had discussed the proposed merger with him. Mr. Johns pointed out that there was a parkway to the west of the Missouri Pacific Building, in which Plaza Bank is located. The bank, Mr. Johns said, offered services primarily to people in the Missouri Pacific Building, although it also served some small businesses in the area. Mr. Johns was of the opinion that if a branch were established in the Plaza Bank area, it would to a large extent take care of the bank's customers in that vicinity and, accordingly, the lessening of banking services would not be significant. The merger would, according to President Johns, increase competition and improve management. On the basis of his conversation with Mr. Johns, Mr. Nelson thought that the Division of Examinations could recommend approval rather than disapproval of the merger, despite some lessening of service in the area of the present office of the Plaza Bank.

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Mr. Hackley said it had not been clear to him that the lessening of banking services would be substantial. In view of President Johns' opinion, he now had even more doubt as to whether the lessening of services, involving only the elimination of lending and safe deposit facilities, would be sufficient to justify disapproval.

Governor Robertson said that he did not find a sufficient basis to justify disapproval of the application. The competitive factor was fairly neutral, and he believed that the convenience and needs of the area could be met by the kind of an office that would be established by the continuing institution even though the range of services would not be complete. While some people would want other types of service, he felt that this factor was not sufficient to warrant disapproval of the application.

Other members of the Board having indicated that they concurred in the views expressed by Governor Robertson, unanimous approval was given to a letter to Security-Mutual Bank and Trust Company granting consent to the merger of The Plaza Bank of St. Louis into and under the corporate title of Security-Mutual Bank and Trust Company and approving the establishment of a branch at 1230 Olive Street, St. Louis, Missouri. A copy of the letter is attached as Item No. 8.

Application of Citizens Fidelity Bank and Trust Company. Mr. Masters reported that Mr. Lee P. Miller, Chairman of Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, had indicated that he would like

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to come to Washington to discuss the disapproval by the Board of his bank's application to merge with the Bank of Louisville.

After discussion, it was understood that arrangements would be made for Mr. Miller to meet with the Board on Tuesday, August 23.

Additional items circulated to the Board. The following additional 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 Manufacturers Trust Company, New York City, approving the establishment of a branch at 607 Soundview Avenue, Clason Point, Bronx.	9
Letter to Union Bank, Los Angeles, California, approving the establishment of a branch in the vicinity of 2400 Wilshire Boulevard, Santa Monica.	10
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Safety Harbor, Florida.	11
Letter to the Federal Deposit Insurance Corporation regarding the application of Union State Bank, Carrizo Springs, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	12

In connection with Item No. 9, an application by Manufacturers Trust Company to establish a branch, Governor Robertson commented that branch applications of large banks should always be reviewed carefully to avoid a situation where such a bank might blanket an area. Ordinarily, he said, the State banking authorities are in a better position to

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appraise the situation than the Board, but he felt that sometimes it might be advisable for the Board to have meetings with the State authorities to be sure they were not following practices that the Board could not condone.

Otto Bremer Company hearing. There had been distributed a memorandum from the Legal Division dated August 18, 1960, regarding the need for a hearing in connection with the proposed acquisition by Otto Bremer Company, St. Paul, Minnesota, of stock in Western State Credit Company. As pointed out in the memorandum, the proposed acquisition could not be lawfully consummated unless the Board first determined after a hearing that the activities of the company were so closely related to the business of banking or managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of section 4 of the Bank Holding Company Act to apply. Accordingly, it was recommended that the Legal Division be authorized to make the necessary arrangements for such a hearing, after which the Division would report back to the Board as to the nature of the arrangements and submit for the Board's approval a draft of order for the hearing.

In discussion of the matter, question was raised as to the need for the staff to request authorization from the Board to make arrangements for a hearing that was required by law. The consensus being that this was unnecessary, it was understood that hereafter, in cases of this type, the staff would make the necessary arrangements and report on them at the time a draft of order for hearing was submitted to the Board.

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The Legal Division then was authorized to make the necessary arrangements for a hearing in connection with the application of Otto Bremer Company.

Report on competitive factors (Akron, Ohio). A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger and consolidation of The Bank of Akron Company, Akron, Ohio, into and with The Dime Bank, Akron, Ohio, had been distributed under date of August 15, 1960. The report indicated that the proposed transaction would eliminate one competing bank and appear to result in a concentration of banking offices in the central business area by the continuing bank, that there would be no reduction in banking services available, and that the resulting bank would provide stronger competition due to its enlarged capital and resources.

In commenting on the proposed merger, Mr. Nelson pointed out that it would combine the third largest bank in the area with the fifth largest bank, and that the continuing bank would become the second largest bank with respect to total resources and continue in second place with respect to the number of offices operated. The head offices of the two banks involved were about a quarter of a mile apart, and it appeared that there was some competition between the banks. First National Bank of Akron, the largest bank in the city, had total resources of more than \$264 million and its activities overshadowed those of the other institutions. While there would be some lessening of competition if the merger were

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effected, it was felt that the increase in size of the resulting bank would permit it to compete more successfully with First National.

Governor Shepardson inquired as to the significance of a statement in the proposed report to the effect that the Bank of Akron had lower loan rates than The Dime Bank, to which Mr. Nelson replied that the two banks had different ranges of rates, the schedule of The Dime Bank being a little higher than that of The Bank of Akron Company.

After discussion of this point and other pertinent factors, Governor Robertson suggested changing the conclusion to indicate that the two banks were only a quarter of a mile apart, that they were competing institutions, and that the bank to be merged had been growing at a faster rate than the other and had been charging lower minimum rates on its loans, all of which raised a question as to whether the competition eliminated by the merger could be offset by other factors.

Certain other changes in wording were then suggested, after which the proposed report was approved unanimously for transmittal in a form reflecting those suggestions. The report, as sent, concluded as follows:

Although there would be no reduction in banking offices and the continuing bank could provide stronger competition to the largest bank in the city, the proposed transaction would eliminate one competing bank in the area and appears to result in a concentration of banking offices in the central business area by the resulting institution. The Bank of Akron Company has been growing at a faster rate and its minimum rate on loans is reported to be somewhat less than The Dime Bank. Consequently, the Board is of the opinion that competition would be adversely affected by the proposed transaction.

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Mr. Hooff withdrew from the meeting at this point.

Application by Brenton Companies. There had been circulated a memorandum dated July 14, 1960, from the Division of Examinations and a memorandum dated August 9, 1960, from the Legal Division recommending issuance of a Notice of Tentative Decision granting approval of the acquisition of voting control by Brenton Companies, Des Moines, Iowa, of 25 per cent of the outstanding voting shares of the following banks: Poweshiek County National Bank of Grinnell, Grinnell, Iowa; The First National Bank of Perry, Perry, Iowa; Brenton State Bank, Dallas Center, Iowa; and Jefferson State Bank, Jefferson, Iowa.

The application was prompted by a ruling of the Board dated December 9, 1959, that Brenton Companies was in violation of section 4(a)(2) of the Bank Holding Company Act in that it was "furnishing services to or performing services for" the four banks named, which was not permissible since the holding company owned or controlled less than 25 per cent of the voting shares of each bank receiving the services.

The ownership of the four banks had been in the Brenton family for many years before the passage of the Bank Holding Company Act of 1956. It was asserted in the application that, as a practical matter, the banks were controlled by the applicant, since the controlling group of stockholders of the applicant also controlled these four banks. In the case of each of the banks, it was contemplated that the acquisition would be accomplished by means of a voting trust agreement to be executed by the applicant and by one of the major individual stockholders.

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Following comments by Messrs. Hostrup and Hackley, the staff was requested to prepare for the Board's consideration drafts of a Notice of Tentative Decision and Tentative Statement granting the applications of Brenton Companies.

Mr. Hostrup then withdrew from the meeting, and Mr. Robinson, Adviser, Division of Research and Statistics, entered the room.

Reserve requirements of Franklin National Bank of Long Island (Item No. 13). There had been circulated a draft of reply to letters dated April 28 and July 15, 1960, from the Federal Reserve Bank of New York regarding an inquiry from Franklin National Bank of Long Island as to the effect the establishment of offices in New York City would have on the reserve requirements for that bank. In its letter of July 15, the Reserve Bank had expressed the view that in the event Franklin National Bank were to establish a branch in New York City, the Board should grant permission for it to maintain the reserves required of country banks, subject to revocation if the character of business of Franklin National Bank should change materially.

The proposed reply to the New York Reserve Bank would indicate that if Franklin National should establish a branch in any of the five boroughs of New York City, revocable permission would be granted to the bank to maintain the reserves required of reserve city banks and action would be deferred on any request from the bank to carry country reserves until the Board had established general criteria for the classification of reserve cities and banks.

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In commenting on the proposed letter, Mr. Farrell noted that a rather unusual situation was involved in this case. Ordinarily, if a bank established a branch in New York City but outside of Manhattan, it might seem appropriate to grant permission for the bank to maintain country bank reserves. However, in view of the size of Franklin National Bank, it was felt that this approach should not be followed. At the same time, it seemed in order to inform the bank that it would not have to carry central reserve city reserves if it should establish a branch in New York City.

In discussion, Governor Robertson observed that The Meadow Brook National Bank of Nassau County was considering going into New York City through a merger with Colonial Trust Company, so that the question presented by Franklin National was almost certain to be presented in other cases. He also suggested that the final paragraph of the proposed letter be changed to eliminate any reference to the characteristics of central reserve city banks.

In further discussion, it was noted that if any of the plans recently considered by the Board for the classification of reserve cities should be adopted, Mineola, New York, in which the head office of Franklin National Bank is located, would become a reserve city and Franklin National would be a reserve city bank.

The proposed letter to the Federal Reserve Bank of New York was then approved unanimously subject to the changes suggested by Governor Robertson. A copy of the letter, as sent, is attached as Item No. 13.

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Maximum permissible rates of interest. Governor Robertson said that he would like to suggest that the Board ask the staff to explore the possibility of raising the ceiling on rates of interest payable by member banks on time and savings deposits to either 6 per cent or the usury requirements of the various States. He noted that practically all of the demand and pressure for raising the maximum rates of interest on time and savings deposits had now ceased. Consequently, with one possible reservation, this might be the best possible time to act. With no pressure to raise the interest rate ceiling, the Board could adjust the maximum rates to a point that no bank would touch and thus effectively eliminate the maximum rate problem without the action being construed as meaning that the Board thought high interest rates were here to stay or indicating that the Board thought the banks could afford to raise their interest rates. This would put the burden on a bank to determine what rates it could afford to pay in the light of conditions and competitive aspects in its own territory. The banks would have to decide themselves rather than hide behind a decision of the Board.

Governor Robertson noted that some banks had been requesting that maximum rates be raised on time deposits, including foreign time deposits, but that rates on savings deposits be maintained, so that they could pay higher rates on those accounts for which they wanted to pay such rates but hide behind a Board decision on other accounts. If the Board could move now on an experimental basis, the move would permit free competition and

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would put the burden on the banks to decide what they could afford to pay, at a time when, generally speaking, there was no demand or necessity to move the maximum rates upward. If the experiment did not work, the Board could always move the maximum rates down again.

Over the years, Governor Robertson said, he had felt that a maximum rate was necessary in order to prevent some banks from going out into the speculative field to increase their earnings to take care of higher costs. However, he was not sure whether this was a problem. Conditions were different now from when maximum rates of interest were first established in terms of management practices and the ability of supervisors to act. There would be an opportunity to see whether a plan such as he had suggested would work or whether there was a real need for having lower maximum rates of interest. The Board could watch the results and be in a position to move downward if necessary.

There was one aspect, Governor Robertson said, that gave him some concern. That was whether this would be a wise move in a political year, because undoubtedly such a move would be opposed by most of the banks of the country. In his opinion, however, this was not a political matter, and action along the lines suggested could not be so construed. He reiterated that, if the Board was inclined to move in this direction, he could not think of a better time. The Board always disliked to move under pressure, because action under such conditions would be construed to mean that the Board thought banks could afford to pay higher rates and there

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would be pressure to move up to the maximum. This would impel some banks to raise their rates of interest even though they could not afford to do so and would create difficult supervisory problems. On the other hand, if action should be taken at this time, it might be beneficial to the banking system and to the economy. Some banks, of course, might move their rates up unwisely to compete more with savings and loan associations, and this might have repercussions in the building and housing industries.

Governor Robertson then repeated that he would like to have the staff devote real time and effort to developing all of the factors that should be considered by the Board.

During a discussion that followed, reference was made to various factors, both of a legal and economic nature, that appeared pertinent to the problem, and it was agreed that these matters would have to be explored further before any decision was reached.

Governor King expressed the opinion that it would be unwise, under present circumstances, to take any action with respect to changing the maximum interest rates. He hoped, therefore, that the staff would not devote time to studying the problem at the expense of other matters that he considered more urgent. As far as his own thinking was concerned, he doubted that any work the staff might do would make much of a difference; if he had a strong conviction that the Board should move in the manner that had been suggested, he would make the move. However, the banks had weathered the problem for the present. Although they might come back

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again later, the fact that savings and time deposits were now increasing was rather good proof that the Board had done the right thing in the past year. If higher rates were permitted, he felt that the big banks would get bigger and some smaller banks would be eliminated, and he could get no satisfaction if the move worked in that direction. It was always a good thing to explore both sides of a problem of this kind. However, in view of the practical situation over the next few months, he would hesitate to have the staff spend a lot of time on the matter at the expense of other projects.

There ensued further discussion of what kinds of information the staff might supply that would be helpful to the Board and the types of information that might be compiled without undue interference with other duties. At the conclusion of the discussion, it was understood that the staff would proceed to study the problem and present material to the Board for its consideration, having in mind the various comments made at this meeting.

The meeting then adjourned.

Secretary's Notes: 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:

Appointments

John Thomas McNeil as Secretary, Board Members' Offices (Governor Szymczak's Office), with basic annual salary at the rate of \$4,830, effective the date of entrance upon duty.

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Appointments (continued)

Ann Wentworth as Personnel Clerk, Division of Personnel Administration, with basic annual salary at the rate of \$4,345, effective the date of entrance upon duty.

Salary increases

John C. Brennan, Personnel Assistant, Division of Personnel Administration, from \$8,860 to \$9,215 per annum, effective August 21, 1960.

Lee E. Sawyer, Clearing Assistant, Office of the Secretary, from \$4,355 to \$4,510 per annum, effective August 21, 1960.

Transfers

Gena Gander, from the position of Placement Technician to that of Employee Relations Technician, Division of Personnel Administration, with an increase in basic annual salary from \$5,820 to \$6,015, effective August 21, 1960.

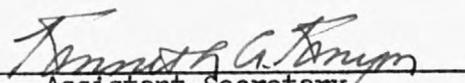
Robert B. Hamilton, Personnel Technician, Division of Personnel Administration, from Budget Position No. 12 to Budget Position No. 8, with no change in title or basic annual salary at the rate of \$6,050, effective August 21, 1960.

Charles W. Wood, from the position of Personnel Technician to that of Personnel Assistant, Division of Personnel Administration, with no change in his basic annual salary at the rate of \$6,600, effective August 21, 1960.

Governor Shepardson also approved today on behalf of the Board the following items:

Memoranda from the Division of International Finance dated August 16, 1960, recommending that James C. Wallace, Economist in that Division, be authorized to spend two weeks on official duty (with the usual per diem) at the Bank of England while on leave in Europe, with the understanding that Mr. Wallace would pay his expenses to and from Europe and would travel on personal leave.

Memorandum dated August 15, 1960, from Mr. Noyes, Director, Division of Research and Statistics, recommending that the services of Mrs. Nancy H. Teeters be continued to December 31, 1960, on the basis of compensation previously approved by the Board on January 14, 1960, despite the fact that this would go beyond the maximum number of hours of work contemplated by the original approval.


Assistant Secretary

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

Item No. 1
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960



Mr. Walter M. Mitchell,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Mitchell:

In accordance with the request contained in your letter of August 5, 1960, the Board of Governors approves the appointments of Messrs. Jack Sicard, D. E. Plaster, and Eric Hingst as Alternate Assistant Federal Reserve Agents at the Federal Reserve Bank of Atlanta to succeed Mr. Floyd Greer and Mr. Hudson Johnson.

This approval is given with the understanding that Messrs. Sicard, Plaster, and Hingst will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of their duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, their responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents, Messrs. Sicard, Plaster, and Hingst may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

It will be appreciated if Messrs. Sicard, Plaster, and Hingst are fully informed of the importance of their responsibilities as members of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Mr. Walter M. Mitchell

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It is assumed that Messrs. Sicard, Plaster, and Hingst will execute the usual Oaths of Office, which will be forwarded to the Board of Governors along with the notification of the effective dates of their appointments.

It is understood that because of certain changes in personnel and additional responsibilities that will be placed on Messrs. Greer and Johnson, they will be unable to continue to serve as Alternate Assistant Federal Reserve Agents and for these reasons their appointments are being terminated.

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
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

Board of Directors,
Valley Bank and Trust Company,
Springfield, Massachusetts.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System extends until October 3, 1960, the time within which Valley Bank and Trust Company may establish a branch at 82 North Elm Street, Westfield, Massachusetts, under the authorization contained in the Board's letter of July 31, 1959.

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. 3
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Galvin:

Reference is made to your letter of July 27, 1960, regarding the transfer by California Bank, Los Angeles, California, of certain operations from its branch located at 626 South Spring Street to its Head Office. It appears that the Clearing and Transit Department will continue to function at the 626 South Spring Street Office and you request advice as to whether the authorization to operate a branch at that location should be relinquished.

At the time the bank was authorized in 1956 to establish a branch at 626 South Spring Street it was stated that no public contact would be had with the Clearing and Transit Department and that its function would be the processing of clearing and transit items with some messengers from other banks being in and out. There was to be contact by the public with the Corporate Trust Division and the Loan Servicing Division which you state have now been transferred to the Head Office.

Based upon the information that the operations at the 626 South Spring Street Office will not involve transactions with the public, it will not be regarded as a branch and should be removed from such classification. California Bank should be advised that branch operations should not be resumed at this location without the Board's permission for the establishment of a new branch.

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. 4
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

The Chase Manhattan Bank,
Eighteen Pine Street,
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The Chase Manhattan Bank, New York, New York, pursuant to the provisions of Sections 9 and 25 of the Federal Reserve Act, to establish a branch in the City of Lagos, Federation of Nigeria, at 41 Broad Street, corner of Broad and Odunlami Streets, Lagos, and to operate and maintain such branch subject to the provisions of such Sections. The location of the branch may not be changed, after establishment, without the prior approval of the Board of Governors.

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

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is 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. 5
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

Board of Directors,
Citizens State Bank,
Tupelo, Mississippi.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the continued operation, on a permanent basis, of the branch of Citizens State Bank, Tupelo, Mississippi, at 122 West Main Street, in Tupelo, Mississippi.

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. 6
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960



Board of Directors,
City National Bank, Tulsa,
Tulsa, Oklahoma.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the City National Bank, Tulsa, to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

T E L E G R A M

LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 7
8/19/60

August 19, 1960

Leedy - Kansas City

Board approves acceptance of low bid for construction of addition and alterations to Oklahoma City Branch building plus low bids for vault and kitchen equipment as recommended by directors of Oklahoma City Branch and the Head Office and described in your letter of August 12, 1960.

Board authorizes expenditure of approximately \$2,117,200 for the program, which figure includes architects' fees and the requested allowance of \$100,000 for contingencies, to provide for miscellaneous minor costs and change orders, with the understanding that no major changes in the program will be made without first obtaining approval of the Board.

(Signed) Kenneth A. Kenyon

Kenyon

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

Item No. 8
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

Board of Directors,
Security-Mutual Bank and Trust Company,
St. Louis, Missouri.

Gentlemen:

Pursuant to your application submitted through the Federal Reserve Bank of St. Louis and subject to the circumstances described therein, the Board of Governors of the Federal Reserve System, after considering all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, finds the transaction to be in the public interest and grants its consent to the merger of The Plaza Bank of St. Louis, St. Louis, Missouri, into and under the corporate title of Security-Mutual Bank and Trust Company. The Board of Governors also approves the establishment by Security-Mutual Bank and Trust Company of a branch at 1230 Olive Street, St. Louis, Missouri, it being understood that the branch will be moved to the northeast corner of 13th and Olive Street in St. Louis upon completion of construction of quarters at that location.

This approval is given provided the transaction is consummated within six months from the date of this letter.

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. 9
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

Board of Directors,
Manufacturers Trust Company,
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 607 Soundview Avenue, Clason Point, Bronx, New York, by Manufacturers Trust Company, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 10
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

Board of Directors,
Union Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of 2400 Wilshire Boulevard, Santa Monica, California, by Union Bank, provided the branch is established by November 1, 1961.

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. 11
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960



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

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 21, 1960, enclosing copies of an application to organize a national bank at Safety Harbor, Florida, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application conducted by an examiner for the Federal Reserve Bank of Atlanta indicates generally favorable findings with respect to the proposed capital structure of the bank, and future earnings prospects. With respect to management, the report indicates that the chief executive officer has not been selected and while several of the proponents are experienced bankers, a majority of the proposed members of the board reside outside the community. The group as a whole is not considered strong; however, it would appear that an outstanding executive officer could provide the necessary leadership. Although the need for a bank in this area may not be urgent at this time, there seems to be sufficient potential growth to support the institution. Accordingly, the Board of Governors recommends favorable consideration of the application provided arrangements for executive management of the bank are made satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 12
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1960

The Honorable Jesse P. Wolcott, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of August 9, 1960, concerning the desire of the Union State Bank, Carrizo Springs, Texas, to continue as an insured bank following its withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

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. 13
8/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 22, 1960.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

This is in reply to your letter of April 28, 1960, enclosing an exchange of correspondence with Mr. Howard Hilton Spellman regarding the reserve requirements of his client, the Franklin National Bank of Long Island. This reply was delayed awaiting your comments, which have now been received in your letter of July 15, together with statistical data bearing on the question.

In response to Mr. Spellman's questions, Regulation D of the Board of Governors entitled "Reserves of Member Banks" provides in section 204.2(a)(3) that for the purposes of the regulation a member bank shall be considered to be in a central reserve city if the head office or any branch of such bank is located in a central reserve city. Therefore, if the bank establishes a branch in New York City, the reserves which it would be required to maintain would be those required for a bank located in a central reserve city. The reserve requirement would be based on the deposits of the bank, including the head office and all branches. (See 1915 Federal Reserve Bulletin, page 125.)

However, the Board of Governors is given authority by section 19 of the Federal Reserve Act to permit a bank located in a central reserve city to hold and maintain the reserves required for a bank in a reserve city, or for a bank not in a central reserve or a reserve city, and such permission may be granted "either in individual cases or under regulations of the Board, on such basis as the Board may deem reasonable and appropriate in view of the character of business transacted by the member bank." (United States code, Title 12, § 462.)

Prior to the amendment of the statute by the Act of July 28, 1959, the Board of Governors was authorized to grant such permission in the case of banks located in the "outlying districts" of central reserve or reserve cities, but this provision was repealed and the quoted language was substituted on that date. Since the amendment, the Board has been considering, but has not yet adopted, standards to be used in



Mr. Howard D. Crosse

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passing upon requests for permission to carry reduced reserves. Pending the adoption of such standards, the Board has given such permission to some banks during the past year, but only in cases where it seemed clear that the applicant would satisfy any standards that might be adopted. No such permission has been granted to any bank comparable to the Franklin National Bank, which has some of the characteristics of banks that are now carrying reserve city reserves.

Ordinarily the Board does not consider hypothetical questions. In this case, however, because of the unusual circumstances involved, the Board has indicated that, if the Franklin National Bank should establish a branch in any of the five boroughs of New York City, revocable permission would be granted to the bank to maintain the reserves required of reserve city banks, and action would be deferred on any request from the bank to carry country reserves until the Board had established general criteria for the classification of reserve cities and banks.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.