

Minutes for August 23, 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:

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Approval of a discount rate of 3 per cent for the Federal Reserve Bank of Boston.

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

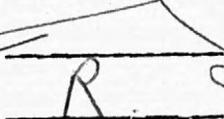
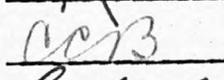
Gov. Mills

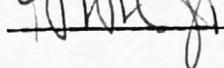
Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King



Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, August 23, 1960. The Board met in the Board Room at 2:30 p.m.

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

Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Masters, Associate Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel

Mr. Lee P. Miller, Chairman of the Board of Citizens Fidelity
Bank and Trust Company, Louisville, Kentucky, also was present.

Application of Citizens Fidelity Bank and Trust Company. Following
the Board's action of August 18, 1960, disapproving the application of
Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, for
permission to purchase the assets and assume the liabilities of Bank of
Louisville, Louisville, Kentucky, Mr. Lee P. Miller, Chairman of the Board
of the applicant bank, requested an opportunity to discuss the matter
with the Board. Pursuant to the understanding at the Board meeting on
August 19, Mr. Miller was invited to meet with the Board today.

Before beginning his oral presentation, Mr. Miller distributed
two papers. The first showed deposits of Louisville commercial banks
as of the most recent call date (June 15, 1960), and the second showed
capital funds, including major reserves, of Citizens Fidelity and Bank

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of Louisville as of December 31, 1959, along with similar statistics for a group consisting of The First National Bank of Louisville, Kentucky Trust Company, First Kentucky Company, and Lincoln Bank and Trust Company. Copies of these documents have been placed in the Board's files.

Mr. Miller stated that when the application of Citizens Fidelity was filed, figures on deposits as of December 31, 1959, were presented. However, the tobacco crop is sold toward the end of the year and, since Citizens Fidelity has a large correspondent bank business, its deposits are inflated each year for a period of about 30 to 60 days to the extent of \$30 or \$40 million. Thus, it was felt that a more equitable picture of the comparative deposit position of Louisville banks was available from the tabulation as of June 15, 1960, that had been distributed.

In commenting further on these statistics, Mr. Miller noted that The First National Bank of Louisville, which is affiliated with Kentucky Trust Company, had applied for permission to merge with Lincoln Bank and Trust Company, a bank having total deposits of about \$70 million. His bank had no objection to this proposed merger; in his opinion there were too many large banks in Louisville. He mentioned cities of comparable size that had only two or three large banks and said it was unusual for a city the size of Louisville to have five major banks.

Mr. Miller then referred to the following paragraph in the Board's letter of August 18, 1960, to Citizens Fidelity:

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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.

If Citizens Fidelity and Bank of Louisville had already merged, Mr. Miller said, the continuing bank would have had a total of about \$180 million in demand and time deposits, excluding interbank deposits, on the basis of the June 15, 1960, statistics, whereas the First National group would have had \$211 million if the proposed merger with Lincoln Bank and Trust Company had been consummated. As of June 15, 1960, Citizens Fidelity and Bank of Louisville had 33 per cent of the total bank deposits in Louisville; the First National group, including Lincoln Bank and Trust Company, also had 33 per cent.

Mr. Miller then turned to the figures showing comparative capital funds for banks in Louisville. These reflected capitalization and reserves of \$23 million for Citizens Fidelity and the Bank of Louisville, as compared with \$35 million for the group consisting of First National Bank, Kentucky Trust Company, First Kentucky Company, and Lincoln Bank and Trust Company.

These deposit and capital figures, Mr. Miller said, would indicate that there was not a concentration of commercial banking resources in one institution. From the standpoint of capital, the bank resulting from the

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merger of Citizens Fidelity and Bank of Louisville would occupy second place. From the standpoint of total deposits, the organizations resulting from the two proposed mergers would be in about the same position.

Mr. Miller then referred to the management of Bank of Louisville, noting that the President was 79 years old and that the Executive Vice President, who was in his late fifties, had had a heart attack recently. Thus, a shot-gun merger with some other bank in the area could occur if the management situation should worsen.

Mr. Miller stated that he did not see any basis for the statement that the merger proposed by Citizens Fidelity would result in a lessening of competition. It was proposed to continue to operate the four present offices of the Bank of Louisville; with the twelve offices of Citizens Fidelity, the resulting bank would have sixteen offices. Liberty National Bank and Trust Company advertised that it had sixteen convenient offices, and it planned to open two additional offices in the near future, making a total of eighteen, while the banks in the aforementioned First National group would have more than 20 offices. Citizens Fidelity had been rather slow in getting into branch banking and had proceeded gradually. Similarly, until about 1950 the management of the bank had not been eager to go into small loans. Subsequently, this type of operation has experienced satisfactory growth, with rates lower than finance company rates, but the proposed merger would bring more of that kind of business into the bank.

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Mr. Miller reported that there had been no complaints from the stockholders of his bank or the Bank of Louisville. He also said that the two proposed mergers in Louisville had already resulted in stepped-up competition on the part of the three largest banks.

Governor Robertson commented that although competition might have stepped up between the larger banks, insofar as the Bank of Louisville was concerned one alternative source of credit was being eliminated. If Lincoln was merged, another source of credit also would be eliminated.

Mr. Miller replied that the Bank of Louisville, with its limited capital structure, had not been able to take care of all of the credit needs of its customers, and that Citizens Fidelity had been meeting the excess needs of certain customers of the Bank of Louisville pursuant to a close working relationship. If the two banks were merged, the credit needs of the Bank of Louisville's customers could be cared for adequately by the larger institution.

Governor Robertson observed that where there would be a lessening of competition as the result of a proposed merger, under the law the Board is required to find offsetting factors sufficient to outweigh that factor before approval can be given. In other words, it is necessary for the Board to find that the merger is in the public interest. He then asked Mr. Miller what factors on the favorable side, from the public interest point of view, would offset the lessening of competition that would result from the merger.

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Mr. Miller replied that, if the proposed merger were effected, customers of the Bank of Louisville would be dealing with an institution better situated to take care of their needs. The same banking offices would be maintained, and the capital situation of the Bank of Louisville would be improved. As indicated previously, Citizens Fidelity had for some time been taking care of the excess credit needs of certain customers of the Bank of Louisville.

In response to a question from Governor Shepardson as to the extent of these excess credit needs, Mr. Miller said that the number of customers of the Bank of Louisville requiring more credit than the bank could extend was not large, for essentially the Bank of Louisville was an institution of small accounts. The factor attractive to Citizens Fidelity was the instalment credit business, a profitable operation.

Mr. Miller then discussed the continuing program conducted by Citizens Fidelity for the purpose of training potential bank officers. Smaller banks, he said, were not in a position to provide similar training facilities for their personnel.

In reply to a further question from Governor Robertson, Mr. Miller said that he thought three large banks, supplemented by a couple of smaller ones, would be ample in a city the size of Louisville. However, he would not consider it sound for a program of consolidations to continue to the point that only two large banks would remain.

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Governor Balderston referred, like Governor Robertson, to the fact that the bank merger statute requires the Board to find that a merger would be in the public interest and asked how the Board, under the provisions of the statute, could justify approval of a merger that would reduce competition in Louisville.

Mr. Miller replied that he did not agree that the proposed merger would reduce competition. All of the offices of the two banks would be maintained and there would, accordingly, be no lessening of convenience to the people of the area. He noted that a number of surveys had been made by Citizens Fidelity in order to determine areas where branches should be established. In making these surveys, the bank had the convenience of the public in mind; every effort was made to determine in what localities banking facilities were needed. There was, he repeated, nothing in the proposed merger of Citizens Fidelity and Bank of Louisville that in his opinion would lessen the convenience of banking customers in the Louisville area.

Governor Balderston again pointed out that the Board was required by law to have a positive basis for finding that a reduction in competition was more than offset by other factors, to which Mr. Miller replied that he thought the proposed merger of Citizens Fidelity and the Bank of Louisville, and also the one involving First National and Lincoln, had stepped up competition for accounts. More active competition had been brought about by the attention which was focused on the pending mergers, and competition could not be keener than it was at the present time.

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Governor Shepardson referred to Mr. Miller's earlier statement to the effect that he would favor having as many as three large banks in Louisville. He inquired whether any plan was known to be under way for a merger involving the fourth largest bank (Louisville Trust Company), to which Mr. Miller replied that conceivably that bank and the third largest (Liberty National Bank and Trust Company) might merge. He did not think that it would be carrying the merger movement too far in the city if one of those two banks should be merged. As previously indicated, Citizens Fidelity had expressed no objection to the proposed First National-Lincoln merger.

Governor Balderston stated to Mr. Miller that the Board would review the application of Citizens Fidelity in the light of the additional information made available today and that Mr. Miller would be advised.

Mr. Miller then withdrew from the meeting.

Applications of Chase and Chemical to establish branches (Items 1 and 2). Applications had been received from The Chase Manhattan Bank, New York City, for permission to establish a branch in Great Neck Plaza, Nassau County, and from Chemical Bank New York Trust Company, New York City, for permission to establish a branch in the Town of Eastchester, Westchester County. In memoranda dated August 10, 1960, which had been circulated to the Board, it was indicated that the Federal Reserve Bank of New York and the Board's Division of Examinations recommended approval of both applications. They had been filed in accordance with provisions

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of the New York Omnibus Banking Bill which became effective July 1, 1960, and made it possible for New York City banks to establish branches in Nassau and Westchester Counties.

Governor Robertson said that he had doubt as to whether additional branches were needed in these areas. However, the applications were an outgrowth of conferences between the New York State Superintendent of Banks and the Comptroller of the Currency, both of whom knew the situation well, regarding the extent to which New York City banks would be permitted to move into Nassau and Westchester Counties. Much thought had gone into the implementation of the New York statute, and there did not appear to be sufficient basis for disapproving the applications. However, he did not feel that they were "open and shut" cases.

During the discussion that followed, it was noted that litigation was pending involving the constitutionality of the recent revision of the New York State banking laws. Accordingly, even though the Board should approve the two applications, the actual establishment of the branches apparently would be delayed until such time as the legal question had been resolved. In this connection, question was raised as to whether it would be desirable for the Board to act until after a decision had been reached. It was noted that the State banking authorities had approved the applications, and the opinion was expressed that Board action thereon would not prejudice the litigation. A large number of applications by New York City banks had been placed on file when the New York State

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legislation became effective, and a cooperative effort had been made by the supervisory agencies concerned to decide what treatment of them would be most justifiable. In the circumstances, if the Board were to inject a new element without strong reasons, its position might not be understood.

Letters to The Chase Manhattan Bank and Chemical Bank New York Trust Company approving the establishment of the two branches in question were then approved unanimously. Copies are attached as Items 1 and 2.

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

	<u>Item No.</u>
Letter to the Manufacturers Trust Company, New York City, approving the establishment of a branch at 685 Third Avenue.	3
Letter to the Union Trust Company of Maryland, Baltimore, Maryland, approving the establishment of a branch in the Reisterstown Shopping Center, Baltimore County.	4
Letter to the Bank of Lancaster, Kilmarnock, Virginia, approving an investment in bank premises.	5
Letter to the Metropolitan State Bank, Chicago, Illinois, approving an investment in bank premises.	6
Letter to The Kingston State Bank, Kingston, Michigan, approving the establishment of a branch in Clifford.	7
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Othello, Washington.	8

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Item No.

Letter to the Federal Reserve Bank of Cleveland
 approving the storage of currency, as a preparedness
 measure, at two additional cash agent banks.

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Mr. Sammons entered the room during consideration of the fore-
 going items.

Gold loan to El Salvador (Item No. 10). Pursuant to the recom-
 mendation contained in a memorandum dated August 19, 1960, from Mr.
 Marget, Director, Division of International Finance, which had been
 distributed, the Board approved unanimously a telegram to the Federal
 Reserve Bank of New York approving the granting of a loan or loans on
 gold up to a total amount of \$6 million to the Central Reserve Bank of
 El Salvador. A copy of the telegram is attached as Item No. 10.

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

Application of Citizens Fidelity Bank and Trust Company (Item
 No. 11). Earlier in the meeting Mr. Lee P. Miller, Chairman of the Board
 of Directors of Citizens Fidelity Bank and Trust Company, Louisville,
 Kentucky, had presented additional information bearing upon the application
 of that bank for permission to purchase the assets and assume the liabili-
 ties of the Bank of Louisville.

Governor Balderston turned first to Mr. Solomon, who said he felt
 that only two new factors had been introduced. Mr. Miller had referred
 to the fact that the deposits of Citizens Fidelity included a substantial

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amount of deposits due to other banks and also had mentioned the inflated nature of the bank's deposits at the end of the year. Both of these situations involved questions of degree, and he (Mr. Solomon) did not know that they were substantial elements in the picture. The bank's other demand deposits and time deposits did not appear to have fluctuated seasonally to any extent. In essence, even if the mid-year deposit figures cited by Mr. Miller were accepted, the application involved a bank with total deposits of \$221 million--about 30 per cent of the total bank deposits in the area. By disapproving the application of Citizens Fidelity, the Board was in effect saying that, despite some ameliorating circumstances on which judgments could differ as to how much they should be weighed, Citizens Fidelity could not merge with a bank having 3 per cent of the deposits in the area, thereby increasing a 30 per cent concentration of deposits to 33 per cent. If this case was to be thought as of a precedent, it would appear that the Board might turn down quite a few applications, for basically Mr. Miller was probably right in saying that such a degree of concentration, within the context of aggregate area deposits, was not unusual. This fact (the absence of an unusually high degree of concentration of banking resources) was the only point touched upon in the discussion with Mr. Miller that caused him a great deal of concern.

There followed discussion of the number of banks, particularly larger banks, in Louisville as compared with other cities of similar size,

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after which Mr. Hackley commented that the bank merger statute provides that the Board and the other supervisory agencies shall not approve any merger unless, after consideration of all the factors involved, a finding is made that the transaction will be in the public interest. In reviewing the legislative history it was hard to say exactly what Congress had in mind, and certain conflicting statements had been made. Thus, while the statute does clearly provide that the Board shall find that a transaction will be in the public interest, it does not make clear what is meant by the public interest, this being left largely to the discretion of the supervisory agencies. Even a slight advantage, such as the larger loan limit of a resulting bank, might be considered a factor sufficient to justify approval of a transaction in the absence of offsetting factors. In this particular case, if there would be a lessening of competition, it would appear that the Board should be able to say that in some respect the merger would have favorable or beneficial effects. In one Committee Report, it had been indicated that the net effect should be beneficial.

With reference to the point discussed by Mr. Solomon, Mr. Hackley noted that in future cases the degree of concentration resulting from a proposed merger might be as high or higher than in this case, but that the Board might find factors on the positive side that did not appear to exist in this case.

Mr. Hackley then referred to the pending merger of Lincoln Bank and Trust Company and The First National Bank of Louisville, on which

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he noted that Mr. Miller had seemed to place a great deal of weight. Legally speaking, he said, too much weight probably should not be given to the significance of this pending merger. If, for example, the Board should assume that the merger would be approved by the Comptroller of the Currency and should act on the application of Citizens Fidelity on the basis that the concentration of deposits would be 33 per cent for both resulting banks, and if the Comptroller should then turn down the application of First National, the Board's decision would have been based on something that was not a fact.

Mr. Hackley commented that Mr. Miller had also stressed the point that the merger of Citizens Fidelity and Bank of Louisville would increase competition. Actually, if both mergers were approved, in a sense the intensity of competition might be increased. However, this was likely to be true in almost any case where a bank wants to get larger to meet the competition of another large bank, and Mr. Hackley did not think such a philosophy would be consistent with the intent of the Congress. On the other side of the picture, Mr. Hackley pointed out that the statute does not refer to lessening of competition; it refers to the effect of a merger on competition. If Louisville had ten small banks, the consolidation of some of those banks might have a desirable effect on competition; in some cases there might be too much competition.

Governor Balderston inquired of Mr. Hackley whether the latter would feel that the Board should act as though it was unaware of the

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merger pending in the Office of the Comptroller. In this instance two mergers in the same city were involved, but it so happened that one fell within the jurisdiction of the Board and the other within the jurisdiction of the Comptroller. If there were a single bank supervisory agency, there would of course be no opportunity for conflicting decisions to be handed down. However, if there were two decisions--one favorable and one unfavorable--at this early stage of implementing the bank merger law, the situation would lead to confusion and would be unhealthy.

Mr. Hackley replied that he thought this problem was inherent in the bank supervisory system and could not be avoided, although the Congress clearly had expressed the hope in the bank merger legislation that the three Federal bank supervisory agencies would seek to apply similar standards, at least as to competition.

Governor Balderston then raised the question whether it would be desirable for the two supervisory agencies involved to check with each other before acting.

Mr. Solomon noted that on August 1, 1960, a report had been sent to the Comptroller's Office on the competitive factors involved in the merger application submitted to that Office. The recommendation of the Division of Examinations in its memorandum of August 9, 1960, was not, he said, based on any assumption as to whether the Comptroller would approve or disapprove the other pending merger. If one had to compare the factors involved in the two mergers, Mr. Solomon thought that perhaps

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a stronger case could be made for approving the merger of Citizens Fidelity and Bank of Louisville than the merger involving First National Bank.

In further discussion, Governor Robertson commented that the Comptroller of the Currency had been advised of the Board's decision on the Citizens Fidelity application and had received the Board's report on the competitive aspects of the First National case. If the Board were to contact that Office now, it might appear that the Board was trying to influence the decision of the Comptroller's Office, whereas each agency must make its own decisions. If the Comptroller's Office should approve the First National merger its reasons for approval would have to be presented in the Comptroller's Annual Report to Congress along with the views stated by the Department of Justice.

Governor Balderston then raised a question as to what types of mergers the Board could approve if it reaffirmed its disapproval of the application of Citizens Fidelity, to which Governor Robertson replied that the Board might approve, for example, the merger of the three smallest banks in Louisville in order to make it possible for those banks to compete more effectively. He felt that the Board should not place too much emphasis on the precedent value of this particular decision, for each case would have to be decided in the light of all of the factors involved, including conditions in the city where the banks were located. He did not think that any line should be drawn on the basis of size alone.

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Instead, it would be necessary to look at the entire picture. If banking services would be eliminated by a proposed merger and there were no offsetting factors, there would not seem to be a basis for approving the proposal as in the public interest.

In reply to a question regarding further consideration of the application of Citizens Fidelity if the Comptroller of the Currency should approve the other merger, Governor Robertson said he did not feel that it would be appropriate to reopen the Citizens Fidelity case once action had been taken unless Citizens Fidelity asked that the application be reconsidered in the light of changed circumstances.

Governor Shepardson stated that initially he would have been inclined to approve the application of Citizens Fidelity if only that merger had been involved. However, he could not blind himself to the fact that the other application also was pending. His vote disapproving the application had been with the feeling that the two mergers in Louisville, in combination, would be detrimental to the competitive situation in that area. The Board in this case had acted before the Comptroller of the Currency, and if the Board had approved the application before it, there would have been no way to reverse its position. In the event that the Comptroller of the Currency should act favorably on the other merger, Governor Shepardson said he would not be averse to consideration of another application by Citizens Fidelity because the facts of the case would then be different than at present.

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Mr. Hackley stated that it was necessary, of course, to consider each case on the basis of the facts submitted. If the Comptroller of the Currency should approve the other merger, the facts would have changed and it might then be in order for Citizens Fidelity to apply again for permission to merge with the Bank of Louisville.

Governor Shepardson expressed agreement, adding that in his view one of the facts involved was that the other application was pending before the Comptroller. If that application were approved, or if it were disapproved, the facts of the situation would have changed, and it seemed to him that it would be in order to agree to a request for reconsideration of the Citizens Fidelity case.

Governor Szymczak then reaffirmed his position with regard to the application.

Governor Balderston also reaffirmed his position, although he felt that the Board's decision might not be generally understood, particularly in view of the relatively small increase in deposit concentration that would have resulted from consummation of the proposed merger.

Governor Shepardson likewise reaffirmed his position, stipulating that he understood the Board was not estopped from further consideration of the matter in the light of changed circumstances resulting from action by the Comptroller of the Currency on the other merger in Louisville.

The Board then approved unanimously the sending of a letter to Mr. Miller indicating that the application of Citizens Fidelity Bank and

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Trust Company had been reviewed, but that the Board had not found reason to change the position stated in its letter of August 18, 1960, disapproving the proposed merger. A copy of the letter sent to Mr. Miller pursuant to this action is attached as Item No. 11.

The meeting then adjourned.

Secretary's Notes: Advice was received on August 22, 1960, that the directors of the Federal Reserve Bank of Boston had that day established, subject to review and determination by 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 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 by the Board on August 11, 1960, the Bank was advised by the Secretary's Office of approval of the rates established by the directors, effective August 23, 1960. A press release in the usual form was issued at 4:00 p.m. EDT, all Federal Reserve Banks and branches were notified by wire of the action taken, and arrangements were made for publication of a notice in the Federal Register.

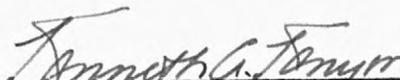
Pursuant to the recommendation contained in a memorandum from the Director of the Division of Research and Statistics dated August 16, 1960, Governor Shepardson approved on behalf of the Board on August 22, 1960, leave without pay for Ruth H. Clarke, Editorial Clerk in that Division, from August 19 to September 16, 1960.

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Governor Shepardson today approved on behalf of the Board a letter to the Bureau of Employment Security, Department of Labor, designating John C. Brennan of the Division of Personnel Administration as liaison for the Board in connection with the administration of the Federal employee unemployment compensation program. A copy of the letter is attached as Item No. 12.

Governor Shepardson also approved on behalf of the Board a memorandum dated August 8, 1960, from Mr. Noyes, Director, Division of Research and Statistics, recommending, among other things, the establishment immediately of a position of Secretary at Grade FR-5 in the Statistical Operations Planning Unit in that Division.


Assistant Secretary

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

Item No. 1
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960

Board of Directors,
The Chase Manhattan Bank,
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at the southwest corner of Grace Avenue and Park Place, Great Neck Plaza, Nassau County, New York. This approval is given provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960

Board of Directors,
Chemical Bank New York Trust Company,
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by Chemical Bank New York Trust Company, New York, New York, of a branch at 700 White Plains Road, in the Vernon Hills Shopping Center, Town of Eastchester (unincorporated area), Westchester County, New York. This approval is given provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 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 approves the establishment by Manufacturers Trust Company, New York, New York, of a branch at 685 Third Avenue, New York, New York. This approval is given provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960

Board of Directors,
Union Trust Company of Maryland,
Baltimore, Maryland.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Reisterstown Shopping Center, on the east side of Reisterstown Road near the intersection of Cherry Hill Road, Baltimore County, Maryland, by Union Trust Company of Maryland, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 5
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960

Board of Directors,
Bank of Lancaster,
Kilmarnock, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors approves, under the provisions of Section 24A of the Federal Reserve Act, the investment by Bank of Lancaster, Kilmarnock, Virginia, of \$145,000 for the purpose of constructing new banking quarters. It is understood that depreciation of new quarters is to be taken in amounts at least equal to the maximum annual depreciation for Federal income tax purposes, and that proceeds from the sale of present banking quarters are to be applied to the book value of the bank premises account.

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
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960

Board of Directors,
Metropolitan State Bank,
Chicago, Illinois.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises of not to exceed \$237,500, by Metropolitan State Bank for the purpose of acquiring an adjacent building and remodeling its bank premises.

It is understood that upon completion of the project and allowing for depreciation taken, the bank's total book value of bank premises will not exceed \$225,000.

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. 7
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960

Board of Directors,
The Kingston State Bank,
Kingston, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch in Clifford, Michigan, by The Kingston State Bank, provided that prior to establishment of the branch the bank's capital is increased to \$100,000 to conform with Federal statutory requirements, and 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. 8
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 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 the letter from your office dated December 9, 1959, enclosing copies of an application to organize a national bank at Othello, Washington, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation made by an examiner for the Federal Reserve Bank of San Francisco indicates that the proponents plan to provide a capital structure of \$350,000 instead of \$250,000 shown in the application. This amount of capital structure would appear to be adequate in relation to the anticipated volume of deposits. The proposed directors of the bank have not had banking experience and since the past experience of the executive officer selected has been primarily in the consumer credit field, there is some question as to the adequacy of the proposed management of the bank. On the basis of the information available there does not appear to be a sufficient volume of business available in the area which the bank could acquire to assure profitable operations. Accordingly the Board of Governors does not feel justified in recommending approval of the application.

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. 9
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 23, 1960.

Mr. W. D. Fulton, President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

The Board has approved the proposal contained in your letter of July 22, 1960, to make a partial decentralization of the storage of currency as a preparedness measure to the following additional Cash Agent banks in the amounts indicated:

The Second National Bank of Ashland Ashland, Kentucky	\$1,400,000
Gallatin National Bank, Uniontown Brownsville, Pennsylvania	\$10,000,000

In approving the above proposal, it is the Board's understanding that the general terms, conditions, and procedures for effecting the pre-attack storage of currency with the two additional Cash Agent banks are substantially the same as those approved by the Board in its letter of May 26, 1960, with respect to other Cash Agent banks in the Fourth District.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

TELEGRAM
 BOARD OF GOVERNORS
 OF THE
 FEDERAL RESERVE SYSTEM
 LEASED WIRE SERVICE
 WASHINGTON

Item No. 10
 8/23/60

August 23, 1960

SANFORD - NEW YORK

Your wire August 18. Board approves granting of loan or loans on gold up to a total amount of \$6 million by your Bank to the Banco Central de Reserva de El Salvador on the following terms and conditions:

- A. To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- B. To mature in three months with option to repay at any time before maturity, both the loans and repayments to be in multiples of \$1 million;
- C. To bear interest at the discount rate of your bank in effect on the date on which such loan or loans are made;
- D. To be requested and made at any time between September 1 and December 1, inclusive, a commitment fee to be charged at the rate of 1/4 per cent per annum for the time that the facility or any part thereof remains unused.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Kenneth A. Kenyon
 KENYON

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

Item No. 11
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1960

Mr. Lee P. Miller,
Chairman of the Board,
Citizens Fidelity Bank and Trust Company,
Louisville, Kentucky.

Dear Mr. Miller:

Pursuant to your request, the Board has reconsidered on the basis of all available information, including the information submitted by you at your meeting with the Board on August 23, 1960, the application of your bank 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 the Bank of Louisville, Louisville, Kentucky, and for approval of the establishment of branches by Citizens Fidelity Bank and Trust Company at the present locations of the offices of the Bank of Louisville.

However, after careful reconsideration of the matter in the light of all the factors set forth in the statute, the Board has concluded that it would not be warranted in changing the position stated in its letter of August 18, 1960.

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
8/23/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 24, 1960

Mr. Robert C. Goodwin, Director,
Bureau of Employment Security,
U. S. Department of Labor,
Washington 25, D. C.

Attention: UCFE

Dear Mr. Goodwin:

Pursuant to Section 609.9 of your regulations implementing the provisions of Public Law 767, Eighty-third Congress, Second Session, the Board of Governors of the Federal Reserve System has designated Mr. John C. Brennan of the Division of Personnel Administration to succeed Mr. Harold L. Emerson as its liaison with your agency in connection with the administration of the Federal employee unemployment compensation program.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.