

Minutes for September 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

Gov. Szymczak

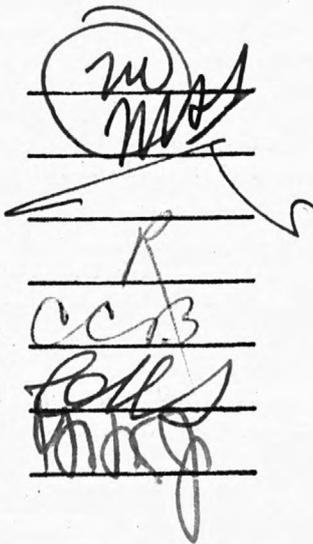
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King


A series of seven horizontal lines, each with handwritten initials or a signature written over it. The initials are: 1. A circled 'M' with 'MS' below it. 2. 'MS'. 3. A large, stylized signature. 4. 'R'. 5. 'CCB'. 6. 'SJS'. 7. 'MK'.

Minutes of the Board of Governors of the Federal Reserve System on Monday, September 19, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Hooff, Assistant General Counsel
 Mr. Nelson, Assistant Director, Division of Examinations
 Mr. Landry, Assistant to the Secretary
 Mr. Smith, Legal Assistant

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 Chase Manhattan Bank, New York City, approving an extension of time to establish a branch at 241 East 42nd Street.	1
Letter to Egypt Schnecksville Bank, Egypt, Pennsylvania, approving the establishment of a branch in Whitehall Township.	2
Letter to Lemoyne Trust Company, Lemoyne, Pennsylvania approving the establishment of a branch at 334 South Tenth Street.	3
Letter to The Citizens Banking Company, Perrysburg, Ohio, approving the establishment of a branch near the intersection of Louisiana Avenue and West South Boundary.	4

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	<u>Item No.</u>
Letter to Union Bank & Trust Company, Montgomery, Alabama, approving the establishment of a branch at Coliseum Boulevard and Pelzer Avenue.	5
Letter to the Federal Reserve Bank of Minneapolis interposing no objection to the furnishing of an extra copy of reports of examination of a member bank in Helena, Montana, for the use of the principal stockholder of the bank, located in a different city.	6
Letter to the Federal Reserve Bank of Chicago approving the appointment of Hugh J. Helmer and Jack M. Egertson as Alternate Assistant Federal Reserve Agents.	7
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries for certain service positions at specified rates.	8
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at the Belvedere Shopping Center, outside the city limits of Atlanta, Georgia.	9
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application by Empire State Bank, Empire, Michigan, to convert into a national banking association unless the capital structure of the bank is strengthened and arrangements are made for management satisfactory to the Comptroller's Office.	10
Letter to the Federal Reserve Bank of San Francisco interposing no objection to a letter proposed to be sent to the Attorney General of California regarding denial by member banks of liability on obligations evidenced by officers' checks solely by reason of a defense raising the statute of limitations.	11

Payment of postage as payment of interest - Central National Bank of Cleveland (Item No. 12). Copies had been distributed of a draft letter to Central National Bank of Cleveland, Cleveland, Ohio, in response to a letter of August 31, 1960, requesting advice as to

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whether the Board had given consideration to the payment of postage for inbound mail as a payment of interest on deposits within the meaning of that phrase as contained in Regulation Q, Payment of Interest on Deposits.

Governor Mills questioned the advisability of mentioning in the draft reply the Board's general policy not to express an opinion as to whether a particular practice involved a payment of interest in violation of Regulation Q unless it had given consideration to all the facts and circumstances of a specific case as developed in the course of examinations of the member bank involved. His suggestion was that the reply state categorically that the Board had no objection to the payment of postage on mail envelopes transmitting incoming deposits.

Following a remark by Mr. Hackley that there would be nothing new in this suggested position, since the Board's published interpretation had been modified somewhat in this direction in recent years, the letter to the Central National Bank of Cleveland indicating that the Board would not be disposed to raise any question regarding the practice referred to was approved unanimously in the form of attached Item No. 12.

Mr. Johnson withdrew from the meeting at this point.

Application of Peoples Union Bank and Trust Company (Item No. 13).

Under date of September 2, 1960, there had been circulated a memorandum from the Division of Examinations recommending approval of an application

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by Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, for permission to merge with The First National Bank of Duquesne, Duquesne, Pennsylvania, under the charter and title of the applicant and for permission to establish a branch at the present location of the national bank. Attached to the memorandum was a draft letter to Peoples Union Bank consenting to its proposed merger. It was indicated in the memorandum that management of the national bank was elderly and, based on the report of examination and the bank's rate of growth over the past several years, was ultraconservative and unaggressive, whereas the converse applied to the applicant and continuing bank. Over the past 10 years the aggressiveness of the applicant's management had expanded its facilities although much of its growth was attributable to the acquisition of six banks. In the opinion of the Division of Examinations, should the proposed merger be effected, a relatively small unit bank would be eliminated and in its place would be established a branch of a substantially larger bank. It was noted that certain benefits would accrue to the public in the Duquesne area through improved banking services and competition should thereby be stimulated. It was noted further that in the city of McKeesport the applicant would increase its size slightly in relation to its larger local competitor and could better compete with it through an increased lending limit. This recommendation of the Division of Examinations paralleled that of the Federal Reserve Bank of Cleveland.

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There being no objection, the letter to Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, consenting to its proposed merger with The First National Bank of Duquesne and approving the establishment of a branch in Duquesne, was approved unanimously. A copy of the letter is attached as Item No. 13.

Report on competitive factors (Marietta, Pennsylvania). Copies had been distributed of a proposed report to the Comptroller of the Currency on the competitive factors involved in a planned consolidation of The First National Bank of Marietta, Marietta, Pennsylvania, and Exchange National Bank in Marietta, Marietta, Pennsylvania, which would conclude:

The proposal would combine two small institutions and eliminate one competing banking office. It seems probable that the continuing bank would provide stronger competition for the other banks in the general area.

The report was approved unanimously.

Provision to Federal Reserve Banks of Board's reports on competitive factors. Governor Robertson said that the Federal Reserve Bank of Chicago had inquired as to the possibility of receiving copies of the Board's reports on competitive factors submitted to the Comptroller of the Currency and the Federal Deposit Insurance Corporation pursuant to section 18(c) of the Federal Deposit Insurance Act, as amended May 13, 1960. In his view this would be desirable since the Reserve Banks would thereby be helped in preparing their own reports to the Board on cases involving banks in their respective districts.

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He agreed with a suggestion by Governor Mills that the reports thus provided to the Federal Reserve Banks pertain solely to the banks within their jurisdiction and not to banks in other districts.

Mr. Solomon suggested that it would also be helpful to the Reserve Banks should they be provided by the Board with copies of the summaries of bank holding company and merger cases decided by the Board that were being prepared by the staff pursuant to the understanding reached at the meeting on August 30, 1960. With respect to Governor Mills' point, he wondered whether it might not also be of assistance to the Reserve Banks to receive copies of all the Board's reports on competitive factors.

Governor Robertson suggested that, as to the first point mentioned by Mr. Solomon, it would be preferable to defer action until the Board had had more opportunity to inspect the summaries now being prepared by the staff. With regard to the second point he felt it would be desirable at this stage to provide the Reserve Banks only with reports having to do with banks in their own districts, although eventually the Board might wish to make all of its reports on competitive factors available to the Reserve Banks.

It was agreed that the Reserve Banks henceforth be provided with copies of the Board's reports on competitive factors relating to banks in their respective districts.

Mr. Smith then withdrew from the meeting.

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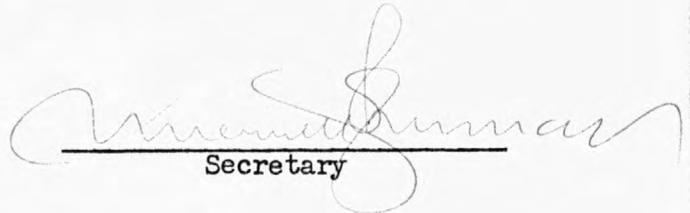
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Provision to Reserve Bank Presidents of Board answers to Hardy Subcommittee questions. Chairman Martin noted that Mr. Sherman had raised with him the question of making available to Reserve Bank Presidents the Board's answers to questions 5 and 6 sent in response to the letter of June 10, 1960, from Chairman Hardy of the House Foreign Operations and Monetary Affairs Subcommittee, relating to certain internal operations of the Board, in view of the fact that they had been furnished to the members of the Federal Advisory Council on September 15. He noted that the Presidents stood in a different relationship to the Board than did the members of the Federal Advisory Council, but he had no objection to making the answers to questions 5 and 6 available to the Reserve Bank Presidents if the Board were so disposed.

In the discussion that followed the suggestion was made that these answers not be sent to the Presidents but that, should they inquire about them, they be permitted to have copies.

At the conclusion of the discussion it was agreed that no action be taken to furnish the answers to the Presidents and that, if the question arose, the matter would be brought back to the Board.

The meeting then adjourned.


Secretary

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

Item No. 1
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 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 extends to April 17, 1961, the time within which The Chase Manhattan Bank may establish a branch at 241 East 42nd Street, New York, New York. Establishment of this branch was authorized in a letter dated October 16, 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. 2
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960



Board of Directors,
Egypt Schnecksville Bank,
Egypt, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Route 145, near its intersection with Schadt Avenue, Whitehall Township, Lehigh County, Pennsylvania, by Egypt Schnecksville Bank, Egypt, Pennsylvania. 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
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960



Board of Directors,
Lemoine Trust Company,
Lemoine, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of the branch at 334 South Tenth Street, Lemoine, Pennsylvania, by Lemoine 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. 4
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960



Board of Directors,
The Citizens Banking Company,
Perrysburg, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch near the intersection of Louisiana Avenue and West South Boundary, Perrysburg, Ohio, by The Citizens Banking Company, 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
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960



Board of Directors,
Union Bank & Trust Company,
Montgomery, Alabama.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the intersection of Coliseum Boulevard and Pelzer Avenue, Montgomery, Alabama, by Union Bank & Trust Company, provided the branch is established within 12 months from the date of this letter.

It is understood that the capital structure of the bank will be increased in the amount of not less than \$700,000 through the sale of additional common stock, and the investment in premises for the branch will not exceed \$125,000, under the requirement of the State Banking Department.

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
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 19, 1960

Mr. H. G. McConnell,
Vice President and Secretary,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. McConnell:

This refers to your letter of August 22, 1960, and enclosures from Commerce Bank & Trust Company, Helena, Montana. The two enclosures include a letter dated August 19 from Mr. R. C. Timmerman, president of the bank, and a resolution of its Board of Directors, in which it is requested that an extra copy of the examination report of the bank be forwarded to Mr. William Nefsy, Miles City, Montana. Mr. Nefsy is president of Miles City Bank and also owns more than a 50 per cent interest in the subject bank. Mr. Nefsy is a vice president of the subject bank and formerly was director but resigned his directorship because of inability to visit the subject bank except on quite infrequent occasions. It is because of his inability to visit the subject bank and because of his manifest need to keep informed about its affairs that he would like a copy of the report of examination for his own use.

The Board would not object in this case so long as the circumstances remain as they are today to furnishing the subject bank with an extra photostatic copy of the report of examination which it could make available to Mr. Nefsy. The photostatic copy would be enclosed in the same cover as the regular copy, and it would be pointed out to the subject bank that the use of the additional copy would be subject to the same restrictions as apply to the subject bank which are printed on the cover of the report of examinations.

It would be expected that the subject bank would be charged for the cost of photostating the additional report.

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
9/19/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960

Mr. Bert R. Prall,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Prall:

In accordance with the request contained in your letter of September 1, 1960, the Board of Governors approves the appointments of Messrs. Hugh J. Helmer and Jack M. Egertson as Alternate Assistant Federal Reserve Agents at the Federal Reserve Bank of Chicago, effective October 3, 1960.

This approval is given with the understanding that Messrs. Helmer and Egertson 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. Helmer and Egertson 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. Helmer and Egertson 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. It is assumed that Messrs. Helmer and Egertson will execute the usual Oath of Office which will be forwarded to the Board of Governors.

The Board notes that Mr. W. R. Diercks, Alternate Assistant Federal Reserve Agent, will retire at the end of September 1960.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 8
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960



CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the incumbents of the positions shown below at the rates indicated, effective October 3, 1960, in accordance with the request contained in your letter of September 8, 1960:

<u>Title</u>	<u>Annual Salary</u>
Janitors	\$4,628.00
Janitors (6 mos. or less)	4,544.80
Paper Balers)	
Metal Polishers)	
Scrubbing Machine Opr.)	4,763.20
Marble Maintenance)	
Janitresses)	3,556.80
Matrons)	
Scrub Woman	3,660.80
Janitresses (6 mos. or less)	3,494.40

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
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 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 1, 1960, enclosing copies of an application to organize a national bank at the Belvedere Shopping Center, outside the city limits of Atlanta, Georgia.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that the proposed capital structure of the bank would probably be adequate for the first few years of operation. However, the prospects for profitable operations of the institution are not very favorable and there does not appear to be a sufficient need for the bank at this time. Information with respect to the proposed board of directors is satisfactory except that the services of Mr. McKinnon as president and director would not appear to conform to the provisions of the Clayton Act. On the basis of the information available, 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. 10
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 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 July 14, 1960, enclosing copies of an application of Empire State Bank, Empire, Michigan, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

A field investigation of the application has not been made but the Federal Reserve Bank of Chicago has furnished us with a report on the application based upon a report of examination made by the Comptroller's office on August 6, 1960, and other information available.

Information contained in this report indicates that the capital structure of the bank is somewhat inadequate and that the management of the bank needs strengthening. The earnings of the bank have been satisfactory for an institution of this size. It appears that the future prospects of the bank are not favorable in its present location and that the directors hope they will be able to move the bank to a better area. The Board of Governors does not feel justified in recommending approval of the application unless the capital structure of the bank is strengthened and arrangements are made for management 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. 11
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960

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

Dear Mr. Mangels:

This refers to your letter of August 26, 1960, with enclosures, regarding the propriety of a proposed letter to the Attorney General of California from Mr. O'Kane in reply to an inquiry from the Attorney General as to ". . . whether there is any law, rule, or regulation administered by the Federal Reserve Bank authorizing or approving a practice whereby member banks may deny liability on obligations evidenced by officers' checks solely by reason of a defense raising the statute of limitations."

The Board has no objection to the sending of Mr. O'Kane's proposed letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 12
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960



Mr. E. L. Carpenter,
Senior Vice President,
Central National Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Carpenter:

This refers to your letter of August 31, 1960, addressed to Chairman Martin, requesting advice as to whether the Board has given consideration to the payment of postage for inbound mail as a payment of interest on deposits within the meaning of that phrase as contained in Regulation Q.

In the absence of unusual facts or circumstances, the Board would not be disposed to raise any question where a member bank absorbs the postage on mail envelopes transmitting incoming deposits if this service is performed by the bank for all depositors who wish to avail themselves of it.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

cc: Federal Reserve Bank of Cleveland

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

Item No. 13
9/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1960

Board of Directors,
Peoples Union Bank and
Trust Company,
McKeesport, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, and finding the transaction to be in the public interest, hereby consents to the merger of The First National Bank of Duquesne, Duquesne, Pennsylvania, into Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, under the charter and title of the latter bank. The Board of Governors also approves the establishment of a branch by Peoples Union Bank and Trust Company at the location of the present office of The First National Bank of Duquesne, 1 West Grant Avenue, Duquesne, Pennsylvania.

This approval is given provided the transactions are consummated within six months from the date of this letter and shares of stock acquired from dissenting shareholders are disposed of within six months from date of acquisition.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

