PR 609 Rev. 10/59

#### Minutes for September 27, 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

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, September 27, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/

Mr. Balderston, Vice Chairman

Mr. Szymczak Mr. Mills Mr. Robertson Mr. Shepardson

Mr. King 2/

Mr. Sherman, Secretary

Miss Carmichael, Assistant Secretary

Mr. Hackley, General Counsel

Mr. Solomon, Director, Division of Examinations

Mr. Sammons, Associate Adviser, Division of International Finance

Mr. Nelson, Assistant Director, Division of Examinations

Mr. Rudy, Special Assistant, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on September 26, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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:

	Item No.
Letter to Hempstead Bank, Hempstead, New York, approving the establishment of a branch at 267 Greenwich Street, Incorporated Village of Hempstead.	1
Letter to Manufacturers Trust Company, New York City, approving an extension of time to establish branch at 159-29 Jamaica Avenue, Jamaica.	2

Attended morning session only.
Attended afternoon session only.

	Item No.
Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at 202 West Ridge Pike, Plymouth Township.	3
Letter to the Federal Deposit Insurance Corporation indicating that no exception had been taken to the voting trust agreement in force at The Home Bank, Compton, California.	4

Application to organize a national bank in Stinnett, Texas (Item No. 5).

There had been distributed a mamorandum from the Division of Examinations

dated September 20, 1960, regarding an application to organize a national bank
in Stinnett, Texas. Both the Federal Reserve Bank of Dallas and the Division
of Examinations had suggested an unfavorable recommendation to the Comptroller
of the Currency on the application. A letter that would reflect this view

Was attached to the memorandum.

As pointed out in the memorandum, Stinnett, Texas, with a population of 2,697 was the county seat of Hutchinson County and was situated 12 miles directly north of Borger. There was little in the way of industry and commerce in Stinnett, and most of the local citizens were employed in Borger and Phillips. The nearest banking facilities were located in Borger where First National Bank and Panhandle State Bank competed on an active basis. Other banks were located from 31 to 38 miles from Stinnett.

Since December 1958, a group of local citizens had been seeking to establish a State-chartered bank in Stinnett. Their application was not filed until July 29, 1960, about four days subsequent to the filing of the application

to charter the national bank. A formal protest had been filed by the group sponsoring the State bank, charging that the national charter application was filed in order to halt plans of the local group to establish a bank.

ably to the Comptroller of the Currency on the application but he had some question about the proposed letter. It did not emphasize the fact that there was another pending application involving a request to establish a State bank having wide community support and it did not indicate that the proposal to establish a national bank was opposed in the community. Also, the letter did not reflect that the national bank application originated almost exclusively from individuals not living in the community.

After Mr. Nelson had read the portion of the memorandum relating to the application to establish a State-chartered bank, Governor Mills questioned whether it was appropriate to state in the letter to the Comptroller of the Currency that the prospects for successful operation of the proposed national bank were not favorable but to imply that there might be reasons for establishing a State bank.

Mr. Nelson commented that there appeared to be hardly enough business in the community for either a national or a State bank, but it was the opinion of the Division of Examinations that the State bank would have a more satisfactory backing. He added that the Office of the Comptroller of the Currency wished to act on the instant application before a scheduled hearing on the State bank application was held.

Governor Robertson, who said that his views were in agreement With those expressed by Governor Mills, suggested a possible rewording of the letter to the Comptroller of the Currency.

After a brief discussion, unanimous <u>approval</u> was given a letter to the Comptroller of the Currency recommending unfavorably on the application. A copy is attached as Item No. 5.

Applications by Brenton Companies (Items 6 and 7). Pursuant to Board action on August 30, 1960, there was published in the Federal Register on September 7, 1960, a Notice of Tentative Decision approving applications on behalf of Brenton Companies, Inc., Des Moines, Iowa, for the acquisition of 25 per cent of the outstanding voting shares of the following four banks: Brenton State Bank, Dallas Center, Iowa; Jefferson State Bank, Jefferson, Iowa; The First National Bank of Perry, Perry, Iowa; and Poweshiek County National Bank of Grinnell, Grinnell, Iowa.

A memorandum from the Legal Division dated September 23, 1960, indicating that the 15-day period provided in the Notice for the filing of comments on or objections to the proposed action expired at the close of business on September 22, 1960, had been distributed. No comments or Objections were received during that period.

Attached to the memorandum were drafts of an Order approving the applications under the Bank Holding Company Act, a Statement, and a press release for the Board's consideration.

Unanimous approval was given to the Order and Statement, copies of Which are attached as Items 6 and 7.

Mr. Rudy then withdrew from the meeting.

Account for the Banque d'Emission du Rwanda et du Burundi (Item No. 8).

A memorandum from Mr. Marget dated September 23, 1960, recommending that the

Board approve a telegram authorizing the Federal Reserve Bank of New York to

Open and maintain an account in the name of the Banque d'Emission du Rwanda

et du Burundi had been distributed.

As indicated in the memorandum, the Federal Reserve Bank of New York had been requested to close the sub-account of the Banque Centrale du Congo Belge et du Ruanda-Urundi and to open an account in the name of the Banque demission du Rwanda et du Burundi. The latter bank was created by royal decree of the King of Belgium to take over in the territory of Ruanda-Urundi (a Belgian United Nations trusteeship) the central banking functions formerly exercised in the area by Banque Centrale du Congo Belge et du Ruanda-Urundi.

After noting that the opening of the account had been approved by the directors of the Federal Reserve Bank of New York on September 22, 1960, and that the Department of State interposed no objection to opening such an account, the telegram to the Federal Reserve Bank of New York authorizing the opening of the account was approved unanimously. A copy is attached as Item No. 8.

Messrs. Sammons and Nelson withdrew from the meeting at this point.

Attendance of Reserve Bank personnel at Classified Relocation Site

(Item No. 9). There had been circulated a memorandum from Mr. Harris dated

September 16, 1960, regarding participation by representatives of Federal Reserve Banks at the Classified Relocation Site of the Office of Civil and Defense Mobilization. During the past two years the Reserve Banks had assigned representatives to the Site for two two-week periods each year. It was noted in the memorandum that the arrangement had been satisfactory, not only from the standpoint of providing full-time coverage at the Site but also in affording an opportunity for the orientation of Bank personnel and in having their participation in the development of emergency plans.

Operations that the program should be modified in order to reduce the time high staff personnel familiar with monetary policy were away from their regular duties. Accordingly, the Conference suggested that the tours of duty at the Site be reduced from two weeks to one week, with the understanding that they might be extended to two weeks if the international situation required it. Also, it was suggested that the Reserve Bank representatives not be limited to official or high staff personnel familiar with monetary policy but include operational personnel as well.

The memorandum contained a recommendation that the Board approve the modification of the program along the lines suggested. A draft letter reflecting such modification was attached.

Governor Robertson commented that this was not a controversial matter, was in accordance with the wishes of the Reserve Bank Presidents, and would

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have the effect of bringing operational personnel at the Reserve Banks into the program.

The Board then approved the letter to the Presidents of all Federal Reserve Banks of which a copy is attached as Item No. 9.

Reply to Commission on Money and Credit. There had been distributed with a memorandum dated September 22, 1960, from Mr. Young, a draft reply to the following question submitted on January 12, 1960, by the Commission on Money and Credit:

Question XXV--What are the pros and cons of having the administrative responsibilities for bank examination and supervision remain, as at present, divided among a number of different authorities?

The proposed reply commented on (a) the types, numbers, and deposits of commercial banks in the United States, (b) the agencies now concerned with the examination and supervision of commercial banks, and (c) the areas of cooperation between such agencies. It then reviewed the pros and cons of having administrative responsibilities for bank examination and bank supervision remain, as at present, divided among a number of different authorities.

During a discussion of the draft, Governor Mills commented that his reading of the proposed reply would leave no doubt in his mind that the Federal Reserve was in favor of a centralized Federal bank supervisory agency. For many reasons he thought it would be impolitic to take such a position and, beyond that, it would be inadvisable. He referred to the

agency would destroy "checks and balances" and benefits derived from the competitive interplay inherent in the present dual banking structure. He felt the whole answer to the question should be aimed at that element. It should be along the line that, while there were reasons for a centralized system, on balance the present system had the advantage of diversification and of producing multiple decisions. It would appear that in the long run a satisfactory scheme for Federal supervision of banking had been developed. Also, the answer could be read as an invitation to centralize Federal bank supervision in the Federal Reserve System.

Was somewhat different. He did not feel that it implied that the Board
Was strongly in favor of a centralized Federal supervisory system. However,
he suggested the possibility of changing a portion of the reply to indicate
that a partial centralization of the administrative responsibilities for
bank examination and supervision could be accomplished through unification
of all present Federal examination and supervisory functions in a factfinding agency, with another agency having responsibility for policy
formulation.

Governor Szymczak expressed the opinion that the proposed reply was suitable. However, if the Board's reply were to suggest a change in the present supervisory arrangements, he would favor proposing that such responsibility be placed in some agency other than the Board.

After Chairman Martin noted that the question as submitted by the Commission on Money and Credit did not ask the Board to take a position, Governor Robertson referred to a suggestion that he had made that the reply be changed to indicate that a partial unification of bank examination and supervision might be accomplished through placing all present Federal examination and supervisory functions in one agency with another agency having responsibility for policy formulation.

Governor Mills expressed the view that such a proposal would introduce a complete reorientation of bank supervision and would require more study. He still felt that the proposed reply, as it now stood, seemed to take the position that the Board favored a centralized Federal bank supervisory agency and, accordingly, he would like to be recorded as being adverse to it.

The Board then approved the proposed reply, with Governor Mills dissenting for the reason given.

During the above discussion Mr. Hackley withdrew, and Messrs. Noyes, Director, Division of Research and Statistics, and Hexter, Assistant General Counsel, entered the room.

All members of the staff then withdrew and the Board went into  $e_{\text{Xecutive session}}$ .

Service of Mr. Young on advisory committee. Following the executive session, Governor Shepardson informed the Secretary that the Board had approved a request for Mr. Ralph A. Young, Adviser to the Board, to serve on

an Advisory Committee of the National Bureau of Economic Research in connection with a study of interest rates. Mr. Young's services had been requested in a letter from the National Bureau dated September 20, 1960.

The meeting then recessed and reconvened in the Board Room at 4:00 p.m. with Governors Balderston, Szymczak, Mills, Robertson, Shepardson, and King, and Messrs. Sherman and Solomon present.

Mr. G. Edward Cooper, Chairman of the Bank Management Commission of the American Bankers Association, and Mr. Melvin C.
Miller, Deputy Manager, American Bankers Association, and Secretary,
Bank Management Commission, also were present for the purpose of
Presenting certain views with respect to the Board's ruling of
August 4, 1960, regarding the absorption of exchange charges, which
ruling had been the subject of a letter from Mr. Cooper dated
September 1, 1960.

Mr. Cooper stated that considerable interest had been shown in the Board's August 4 ruling during the recent convention of the American Bankers Association held in New York City, and that a number of inquiries had been raised during a meeting of the Bank Management Commission. There also had been discussion of various phases of the Board's ruling by members of the Association of Reserve City Bankers. That part of the Board's August 4 ruling relating to compensating balances had received a most favorable reaction and was believed to have taken care of a problem that had confronted some of the banks.

With respect to that part of the ruling which prohibited the direct absorption of any exchange charges, Mr. Cooper said that the problem of expense that would be caused by charging back trivial. amounts of exchange received a great deal of attention. Mr. Cooper reviewed the steps taken by the Bank Management Commission before its letter of September 1, 1960, was sent to the Board, stating that the Commission made a countrywide analysis in which it tried to take account of the problem that would be created by the Board's ruling in local areas. The suggestions contained in the September 1 letter were presented on the basis of that analysis and to date the Bank Management Commission had not been able to find a more acceptable alternative from the standpoint of the banks. The Commission therefore recommended strongly a modification of the Board's August 4 ruling to permit (1) member banks to absorb exchange charges of less than five cents on any one nonpar item, and (2) resumption of the Previous ruling made by the Board in 1945 that a member bank may absorb exchange charges up to \$2 per month for any one account.

Mr. Cooper went on to say that operating records of commercial banks would be even more facilitated if the banks were permitted to absorb exchange incurred in the collection of nonpar items in amounts of less than \$50 (an alternative to the Commission's recommendation to permit absorption of exchange charges of less than five cents on any one nonpar item), but that such a ruling would expose some banks,

Particularly those in the Seventh and Ninth Federal Reserve Districts, to increased competition for absorption of exchange charges that they have heretofore been recovering. This was the reason why the Commission presented as its first recommendation that member banks be permitted to absorb exchange of less than five cents on any one nonpar item, although in the case of banks in some cities, Philadelphia, for example, the alternative recommendation that would permit exchange absorption on any items of \$50 or less would be preferable.

Mr. Cooper concluded his opening statement with the comment that the Commission believed that in the best interest of the banking system a modification of the Board's August 4 interpretation along the lines of the Commission's letter of September 1 should be adopted, and that it was hoped the Board would see its way clear to modifying its ruling along these lines. In the meantime, there was a tendency among banks to take no action toward changing their practices until some indication had been received from the Board as to its reactions to the problems referred to in the Commission's letter.

In response to a question from Governor Mills, Mr. Cooper stated that the Bank Management Commission had not gone through the National and State Bank Divisions of the American Bankers Association in making its survey prior to sending its letter of September 1. This was because the Commission operated across those lines and felt that it was representing the membership of the American Bankers Association

Governor Mills as to the problem of getting acceptance of the proposal, that he believed there would be no problem in getting acceptance by banks generally of that portion of the Board's ruling relating to compensating balances whereas banks almost unanimously were seeking relief from the expense that would be caused by application of that portion of the ruling requiring recovery of exchange regardless of amount. Although the Bank Management Commission's survey of banks had been somewhat weighted by larger institutions, he believed that the views expressed were representative of banks generally.

Commission was now seeking a meeting with the Board or whether such a meeting would be considered superfluous in view of the letter of September 1, to which Mr. Cooper responded that the Commission had asked him as Chairman to discuss with the Board its letter of September 1, hoping that the Board could give some indication as to whether there was a possibility of a change in the August 4 ruling. In addition, the Commission had requested that he and Mr. Miller discuss informally with the Federal Deposit Insurance Corporation the question as to whether there was any way in which the approach of the Corporation to absorption of exchange charges could be modified to accord more nearly with that taken by the Federal Reserve. The Commission had asked that, whenever a decision was reached by the Board on its letter of September 1, that

decision be conveyed to the Commission, at which time the American

Bankers Association would study further the question of trying to get

the Federal Deposit Insurance Corporation to adopt a position that would

be uniform with whatever position might be arrived at by the Board.

Governor Robertson inquired as to the contemplated timing of such conversations, to which Mr. Cooper responded that he could not suggest when further conversations might take place with the Federal. Deposit Insurance Corporation but that as soon as members of the staff of American Bankers Association had studied the matter and had some proposals that might be of interest to the Corporation they would be submitted to officials of the latter. There was some concern, he said, that if legislation were required, considerable time would be taken to bring about a change.

Governor Mills inquired as to the applicability of the alternative proposals contained in the Commission's letter of September 1.

Under one alternative, absorption of exchange of less than five cents on any one item would be permitted, whereas under the other alternative, absorption of exchange on any checks in amounts of less than \$50 would be permitted. He suggested that the accumulation of exchange on a large number of checks of less than \$50, or some other amount that might be agreed upon, could in the aggregate become more than a trivial amount for any one account.

Mr. Cooper and Mr. Miller responded that this was recognized and commented in some further detail to the effect that the problem from the standpoint of a commercial bank was that of maintaining records. For example, many items had exchange charges of one or two cents and the cost of maintaining records and charging back such amounts would exceed the actual exchange charges. Permission for banks to disregard exchange charges of less than five cents or, in the alternative, exchange charges on checks of less than \$50 or some other figure was the only practical solution to the expense problem that the Commission had been able to come up with.

Mr. Cooper then stated that the letter that he had sent to the Board under date of September 1 had been approved by each member of the Bank Management Commission and that it also had been cleared by the executive officers of the American Bankers Association. Neither the Commission nor the Association had anything else to present to the Board at this time. However, he wished to emphasize that the members of the Commission hoped the Board understood that they did not believe that a satisfactory solution to the problem of record keeping would be presented if the Board simply restored the 1945 ruling (superseded by the August 4, 1960, ruling) so as to permit the absorption of as much as \$2 a month in exchange charges for any one account. This sort of ruling would not meet the needs of the banking community for relief from keeping of costly and burdensome records.

Mr. Cooper added, in response to a question from Governor Robertson, that he had received copies of letters written to the Board by a number of individual banks and clearing house associations and that he believed the views expressed in the September 1 letter would be supported by all of the banks that had studied the matter.

Governor Robertson inquired whether Mr. Cooper believed that the banks of the country would get behind a suggestion such as the Bank Management Commission had made to the extent that they would go out and urge its acceptance by all other banks, so as to solve the problem that had been presented in the past by absorption of exchange and variations in practices in different parts of the country.

To this Mr. Cooper responded that he knew of no way of giving such assurance except to have some group such as the Federal Reserve Banks make a field check and report back the results of the findings.

Mr. Miller added that the Bank Management Commission was generally selected to represent banks nationwide even though, as had been indicated earlier, it was somewhat weighted with representatives of larger institutions.

reaction of banks if the Board were to reverse completely the position it had originally taken with respect to the absorption of exchange charges as an indirect payment of interest, thus opening the door for any bank to absorb in unlimited amounts.

Mr. Cooper responded emphatically that the banks of the country would not like such a position, that generally they took the same position that the Federal Reserve had taken over the years, that they were well satisfied with that part of the Board's recent ruling relating to compensating balances, and that a shift of the sort Governor Robertson mentioned would be a backward step for the banking system as a whole.

to the procedure that should be followed, which in his view was the main theme of today's meeting. While the Board, as such, had not discussed the Bank Management Commission's letter of September 1, each member of the Board had read the letter. There had been a suggestion that a meeting might be arranged to which the directors of the Federal Deposit Insurance Corporation and the Comptroller of the Currency would be invited, and at which representatives of the Bank Management Commission might also be present, for a general discussion of the basic problems involved in absorption of exchange. He inquired of Mr. Cooper whether the exploratory discussion now taking place between the American Bankers Association and Federal Deposit Insurance Corporation might make such a meeting inappropriate at this particular time.

Mr. Cooper's response was that a meeting such as referred to by Governor Balderston might not be desirable at once, but that in the

meantime it would be helpful if the Board could arrive at some position with respect to whether its August 4 ruling would be modified. Following that, it would seem desirable to bring representatives of the Federal Deposit Insurance Corporation into a discussion of the matter.

In response to a question from Governor Shepardson as to whether a change to a ruling that would apply to all insured banks might not be a solution to the problem that had resulted from differences in the rulings of the Board and the Corporation, Mr. Cooper said that if a Uniform approach could be taken by the Board and the Corporation, there Would be the obvious advantage of placing all member and nonmember insured banks under the same ruling. There would, however, still be the question of exchange charges that are made by nonpar banks and the problem of whether par banks receiving checks on which exchange had been charged would find it necessary to maintain records that would enable them to recover such exchange. Thus, as long as nonpar items existed to any degree, the cost problem would be present for banks in greater or lesser degree. To get rid of the problem would call for getting rid of nonpar clearance; that would be the only way to eliminate the problem completely. The next best thing would be to get uniformity in rulings of the Board and the Federal Deposit Insurance Corporation. The third best thing, in his opinion, would be to permit banks to absorb trivial amounts of exchange in line with the recommendation contained in the

Bank Management Commission's letter of September 1. To get rid of nonpar clearance would require legislation in many States. Even though Federal legislation were enacted to prohibit nonpar clearance by any insured bank, the problem would not be eliminated from the standpoint of the banks receiving nonpar checks in their clearances so long as even a small number of nonpar banks existed, although it would, of course, be reduced.

Mr. Miller added the comment that, as he saw the picture, at this stage Federal legislation would only be a matter of giving to the Federal Deposit Insurance Corporation authority to determine whether absorption of exchange charges constituted payment of interest on deposits by an insured bank. He did not think the American Bankers Association could sponsor legislation of this sort, nor did he think the Association could sponsor legislation in individual States that would require banks to remit at par. The Association's membership, he noted, includes par and nonpar banks, member and nonmember banks, insured and honinsured banks, and national and State banks. The Association could not discriminate against any one of these groups.

Governor Robertson responded that such a move might be impolitic for the American Bankers Association, but that support by the Association of any move to solve the problem under discussion was one of the questions involved.

Mr. Cooper expressed the view that it would be desirable if the Federal Deposit Insurance Act were amended to provide that in order to qualify for insurance any bank must remit at par for checks drawn on it. Such a provision would parallel that now applicable to members of the Federal Reserve System.

Mr. Cooper then went on to say that the door had now been opened for the Bank Management Commission to do something looking toward modification of the position that had been taken for many years by the Federal Deposit Insurance Corporation. He hoped that there would be Some coordination of the Corporation's position with that of the Board as the discussions moved along. In the meantime, banks of the country Wished to know what the Board is going to do about the August 4 ruling and the proposals made in the Bank Management Commission's letter of September 1. The Commission had heard nothing in response to its request and, although the Board's ruling of August 4 was effective immediately, banks did not wish to change their procedures until they had heard officially from the Board of Governors regarding its position On the formal request presented in the September 1 letter. Until the Board was in a position to tell the Bank Management Commission that its request had been turned down or accepted, or that other modifications of the August 4 ruling had been made, it would be preferable not to indicate to banks what steps they should take with respect to the August 4 ruling. Mr. Cooper wondered whether the Board might wish to suggest a period of

time that it would require for consideration of the proposals in the September 1 letter. The Commission had attempted to keep its proposals on a friendly and informal basis, and it had no desire to get the subject into the press.

Governor Balderston stated that the Board would consider the September 1 letter from the Commission in the near future.

Governor Robertson inquired again as to whether any further information should be expected from the American Bankers Association and Whether the Bank Management Commission might wish to come to Washington for the purpose of a meeting with the Board at which the Comptroller of the Currency and members of the Board of Directors of the Federal Deposit Insurance Corporation would also be invited to be present.

Mr. Cooper replied that the September 1 letter of the Bank
Management Commission was read and approved by the members of the
Executive Committee of the American Bankers Association. The Bank
Management Commission had been given authority to speak for the American
Bankers Association, and there was nothing further to be presented at
this stage. Mr. Cooper said that he hoped that the Board would receive
shortly from the Association of Reserve City Bankers a communication
giving its view with respect to the Board's August 4 ruling. It was
his understanding that the letter would present essentially the same
proposal as that contained in the Commission's letter of September 1.

The meeting concluded with a statement that the Board would consider such letter as might be received from the Association of Reserve City Bankers along with the Commission's letter of September 1 and that it would communicate with the latter at a subsequent date.

The meeting then adjourned.

Secretary's Notes: Pursuant to the action of the Board on July 28, 1960, a letter was sent today over the signature of the Secretary to the Presidents of all Federal Reserve Banks transmitting revised pages of the report of examination of State member banks, Form FR 410.

Governor Shepardson approved on behalf of the Board on September 26, 1960, a letter to the Federal Reserve Bank of San Francisco (attached Item No. 10) approving the appointment of Chester Marion Rochowicz as assistant examiner.

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:

# Appointment

Kenneth Edwin Keen, Jr., as Supply Clerk in the Division of Administrative Services, with basic annual salary at the rate of \$3,500, effective the date of entrance upon duty.

# Transfers

Nancy E. Harcourt, from the position of Clerk-Stenographer in the Division of Administrative Services to that of Secretary in the Division of Research and Statistics, with an increase in her basic annual salary from \$4,355 to \$4,510, effective October 2, 1960.

Sally J. Hart, from the position of Clerk-Stenographer in the Division of Personnel Administration to that of Clerk-Stenographer in the Division of Administrative Services, with no change in her basic annual salary at the rate of \$4,145, effective October 2, 1960.

Governor Shepardson also approved today on behalf of the Board a letter to Banco de Guatemala (attached Item No. 11) with regard to the extension of the services of Ralph E. Holben and reimbursement for Mr. Holben's services.

Secretary



OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE

September 27, 1960

Board of Directors, Hempstead Bank, Hempstead, 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 267 Greenwich Street, Incorporated Village of Hempstead, Nassau County, New York, by Hempstead Bank, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.



OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE

September 27, 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 extends to March 17, 1961, the time within which Manufacturers Trust Company may establish a branch at 159-29 Jamaica Avenue, Jamaica, Queens County, New York, under the authorization contained in the Board's letter of March 18, 1960.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.



#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 27, 1960

Board of Directors, The First Pennsylvania Banking and Trust Company, Philadelphia, 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 at 202 West Ridge Pike, Plymouth Township, Montgomery County, Pennsylvania, by The First Pennsylvania Banking and Trust 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.

OF THE



WASHINGTON 25, D. C.

Item No. 4 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 27, 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 September 15, 1960, regarding The Home Bank, Compton, California, and the existing voting trust agreement which now controls 8,410 of the 8,520 of the outstanding shares of common stock of the bank. The Home Bank was admitted to membership in the Federal Reserve System on February 6, 1953, under the title of Compton Commercial and Savings Bank. At that time, 2,430 of the outstanding 2,500 shares of capital stock of the bank were trusteed under a voting trust agreement which was executed on July 31, 1950, and terminates on July 31, 1971. There were eight trustees named in the agreement, four of whom were directors of the bank. At the time of examination on March 4,1959, the Board's information indicated that a total of 146 shareholders participated in the trust which held 8,410 of 8,520 shares outstanding. During the time this bank has been a member of the Federal Reserve System, it has not been found necessary to take any exception to the voting trust agreement in force.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.



### FEDERAL RESERVE SYSTEM



Item No. 5 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 27, 1960

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

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated July 28, 960, enclosing copies of an application to organize a national bank at Stinnett, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proposed capital structure of the bank would be adequate in view of the projected volume and character of business, and that the proposed management of the bank might be reasonably acceptable. According to available information, only a modest volume of business could be anticipated and the prospects for earnings are not very favorable. This appears to be a borderline case and the successful operation of the proposed institution is very questionable.

As you know, there is a competing application pending for the organization of a State bank in Stinnett which has the support of local citizens. The two applications were filed about the same time. Since the principal supporters of the application for the national charter are not from the Stinnett community, it would appear that the local group should be entitled to preference.

In view of all the circumstances, the Board of Governors does not to Justified in recommending favorable consideration of the application organize a national bank at Stinnett.

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

Very truly yours,

Elizabeth L. Carmichael, Assistant Secretary.

Elizabeth L. Commichael

ed for FRASER

Item No. 6 9/27/60

#### UNITED STATES OF AMERICA

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

In the Matter of the Applications of BRENTON COMPANIES, INC.

for prior approval of acquisition of voting shares of Brenton State Bank,
Dallas Center, Iowa; Jefferson State Bank,
Jefferson, Iowa; The First National Bank of Perry, Perry, Iowa; Poweshiek County National Bank of Grinnell, Grinnell, Iowa

# ORDER APPROVING APPLICATIONS UNDER BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), applications on behalf of Brenton Companies, Inc., Des Moines, Iowa, for the Board's prior approval of the acquisition of 25 per cent of the outstanding voting shares of the following four banks:

Brenton State Bank, Dallas Center, Iowa

Jefferson State Bank, Jefferson, Iowa

The First National Bank of Perry, Perry, Iowa

Poweshiek County National Bank of Grinnell,

Grinnell, Iowa;

a Notice of Tentative Decision referring to a Tentative Statement on said applications having been published in the Federal Register on September 7, 1960 (25 Federal Register 8626); the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative Statement; and the time for filing such objections and comments having expired and no such objections or comments having been filed:

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said applications be and hereby are granted, and the acquisition by Brenton Companies, Inc. of 25 per cent of the outstanding voting shares of the following four banks

Brenton State Bank, Dallas Center, Iowa

Jefferson State Bank, Jefferson, Iowa

The First National Bank of Perry, Perry, Iowa

Poweshiek County National Bank of Grinnell,
Grinnell, Iowa

is hereby approved, provided that such acquisition is completed Within three months from the date hereof.

Dated at Washington, D. C., this 27th day of September 1960.

By order of the Board of Governors.

Voting for this action: Chairman Martin and Governors Balderston, Szymczak, Mills, Robertson, and Shepardson

Absent and not voting: Governor King

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

(SEAL)

Item No. 7 9/27/60

#### BOARD OF GOVERNORS

OF THE

#### FEDERAL RESERVE SYSTEM

APPLICATIONS BY BRENTON COMPANIES, INC., FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF FOUR BANKS

#### STATEMENT

Brenton Companies, Inc., Des Moines, Iowa ("Applicant"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of 25 per cent of the outstanding Voting shares of the following four banks:

Brenton State Bank, Dallas Center, Iowa

Jefferson State Bank, Jefferson, Iowa

The First National Bank of Perry, Perry, Iowa

Poweshiek County National Bank of Grinnell,

Grinnell, Iowa

Views and recommendations of the Comptroller of the Currency

and Superintendent of Banking. - As required by section 3(b) of the

Act, the Board forwarded notice of the applications concerning the two

national banks to the Comptroller of the Currency and notice of the

applications concerning the two State banks to the Superintendent of

Banking for the State of Iowa. The Comptroller responded by recom
mending approval of each of the national bank applications. The

Superintendent of Banking responded by recommending favorable action concerning each of the State bank applications.

Statutory factors. - Section 3(c) of the Act requires
the Board in each instance to take into consideration the following
five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the
character of their management; (4) the convenience, needs, and
welfare of the communities and area concerned; and (5) whether or
not the effect of the acquisition would be to expand the size or
extent of the bank holding company system involved beyond limits
consistent with adequate and sound banking, the public interest, and
the preservation of competition in the field of banking.

Discussion. - The proposal to acquire the voting control of 25 per cent of the voting shares of each of the four banks here involved was prompted by an interpretation of the Board in December 1959 (Federal Reserve Bulletin, December 1959, p. 1475) to the effect that Brenton Companies was in violation of section 4(a)(2) of the Act in that it was "furnishing services to or performing services for" the four banks named, such activity not being permissible since the holding company owned or controlled less than 25 per cent of the voting shares of each bank receiving the services.

It appears that, while the Applicant itself now owns or controls less than 25 per cent of the stock of each of the four banks, a majority of the stock of each of the banks has been owned since

before the passage of the Bank Holding Company Act by the Applicant and individual stockholders who are members of the Brenton family and who also own a majority of the stock of the Applicant. It is contemplated that the proposed acquisition by Applicant of additional stock of the banks will be accomplished by means of a voting trust agreement to be executed by the Applicant and one of the major individual stockholders. A Memorandum of Agreement as to each of the banks provides that the Applicant shall continue to provide management services in the same manner and upon the same terms as heretofore.

The financial history and condition, prospects, and management of both Applicant and each of the four banks are satisfactory.

Each of the four banks is located in a small farming community with the business of the bank originating in the rural area of the town of its domicile and the surrounding agricultural area within a radius varying from 5 to 20 miles. There is a nonsubsidiary bank in the primary service area of each of the four banks, except that of the Brenton State Bank, Dallas Center, Iowa. In addition, the primary service area of each of the four banks is surrounded by a number of banks which, while not having offices in that area, and presently not serving the area to any material extent, are, however, so located geographically that they are potential competitors.

Since the proposed acquisition would not seem to result in any substantial change in the operation of the banks involved. it does not appear that the proposed acquisition would have any material effect on the convenience, needs, and welfare of the communities and areas concerned.

Similarly, it does not appear that the acquisition proposed would have any significant effect upon banking competition or that they would expand the size or extent of banking resources under Applicant's control beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Conclusion. - The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on September 7, 1960 (25 Federal Register 8626), affording interested persons an opportunity to submit comments on, or objections to, the Board's proposed action. No comments or objections were received.

Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the applications should be approved.

September 27, 1960

# TELEGRAM

Item No. 8 9/27/60

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

September 27, 1960

SANFORD - NEW YORK

Your wire September 22. Board approves the opening and maintenance of an account on your books in the name of Banque d'Emission du Rwanda et du Burundi subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments.

It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks.

(Signed) Merritt Sherman SHERMAN





### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 9 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE

September 27, 1960.

CONFIDENTIAL (FR)

Dear Sir:

During the past two years, the Federal Reserve Banks have assigned representatives to the Classified Relocation Site of the Office of Civil and Defense Mobilization for two two-week periods each year. The time has come for scheduling assignments for the next twelve months beginning December 2, 1960. The Board has reviewed the program in the light of its original purposes, subsequent developments, and the mutual benefits received from the participation of the Banks in the program. The Board is of the opinion that the program should be modified as follows:

First, the tour of duty of Bank representatives should be reduced to two one-week periods, provided that the tour of duty may be extended to a two-weeks! period in the event that the international situation should become sufficiently grave as to require the augmentation of Government staffs at the Site.

Second, Bank representatives need not be limited to official or high staff personnel familiar with monetary policy but might include operational personnel.

In accordance with the above modifications, a proposed schedule of One-week assignments beginning December 2, 1960, is enclosed. It is requested that the names of your representatives for the dates indicated in the schedule be forwarded to Innis D. Harris, Coordinator of Defense Planning, so that the list may be submitted to the Office of Civil and Defense Mobilization by October 17, 1960. In the event that unforeseen circumstances should prevent a named representative from attending in accordance with the schedule, substitutions may be made as in the past.

Sincerely yours

Merritt Sh

Enclosure

stlouisfed.org/

	ADDITIONAL LIAISON RE	PRESENTATION
1960	Dec. 2 - 9	New York
	Dec. 16 - 30	Board
1961	Jan. 3 - 10	Cleveland
	Jan. 13 - 20	Richmond
	Jan. 27 - Feb. 3	Boston
	Feb. 10 - 17	Philadelphia
	Feb. 24 - Mar. 3	Atlanta
	Mar. 10 - 17	Chicago
	Mar. 24 - 31	St. Louis
	Apr. 7 - 14	Minneapolis
	Apr. 21 - 28	Kansas City
	May 5 - 12	Dallas
	May 19 - 26	San Francisco
	June 2 - 9	Boston
	June 16 - 23	New York
	June 30 - July 7	Philadelphia
	July 14 - 21	Cleveland
	July 28 - Aug. 4	Richmond
	Aug. 11 - 18	Atlanta
	Aug. 25 - Sept. 1	Chicago
	Sept. 8 - 15	St. Louis
	Sept. 22 - 29	Minneapolis
	Oct. 6 - 13	Kansas City
	Oct. 20 - 27	Dallas

San Francisco

Board

Nov. 3 - 10

Nov. 17 - Dec. 1



# BOARD OF GOVERNORS OF THE

### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 10 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 27, 1960

Mr. Eliot J. Swan, First Vice President, Federal Reserve Bank of San Francisco, San Francisco 20, California.

Dear Mr. Swan:

In accordance with the request contained in your letter of September 16, 1960, the Board approves the appointment of Chester Marion Rochowicz as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise as to the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.



OF THE

#### FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 11 9/27/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 27, 1960

### AIR MAIL

Mr. Arturo Pérez Galliano, Vicepresidente, Banco de Guatemala, Guatemala City, Guatemala.

Dear Mr. Pérez Galliano:

In response to your letter of August 17, 1960, and to President Miron's letter of June 25, 1960, the Board of Governors of the Federal Reserve System has secured approval of a two-month extension of Dr. Ralph E. Holben's detail from his Government agency in Washington, and is prepared to extend the contract for his services with the Banco de Guatemala for the period requested, namely, from October 16. 1960 through December 14, 1960.

Except that an adjustment of the charges that the Bank of Guatemala Would reimburse to the Board of Governors would be necessary to cover an increase in the amount the Board would be billed by the Government agency on whose payroll Dr. Holben is carried. This increase in the charges of approximately 7 per cent is the result of the enactment by the Congress of the United States of (a) a general increase in pay scales for United States Civil Service employees effective July 10, 1960, and (b) a health benefit program also effective July 10, 1960, for which the employing agency makes a contribution on Dr. Holben's behalf. The details of the charges for the period from October 16 through December 10, 1960, are set forth in the attached schedule, and a pro rata charge for the period from December 11 through December 11 would also be made, assuming that the detail would end at that time.

In connection with the extension of Dr. Holben's detail, it is also necessary to call your attention to the fact that, as a result of the enactment of the general pay increase and health program referred to above, the amount being billed to the Board of Governors by the Government agency on whose payroll Dr. Holben is carried has been increased for the period since July 10, 1960. The details of

the charges actually being billed to the Board of Governors for the period from July 10 through October 15, 1960, are set forth in the attached schedule, and are there compared with the amounts that Would have been billed at the rates applicable before July 10, as set forth in the Board's letter of September 10, 1959. Since the Board is being billed at the increased rate, it will be appreciated if your Bank will reimburse the Board at that rate. This would be in accordance with the principle on which our arrangements have been based, namely, recovery by the Board of the actual costs incurred in securing Dr. Holben's services.

If the above arrangement for extension of Dr. Holben's services and for an adjustment of the reimbursable charges for the Period July 10 - October 15, 1960, meets with your approval, it will be appreciated if you will so advise the Board by executing the attached copy of this letter and appended schedule on behalf of the Banco de Guatemala and returning the executed copy to the Board.

The Board is pleased to know that your Bank has found the arrangement with Dr. Holben useful and that it has been possible to arrange for an extension of the arrangement for the additional period requested.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

Attachments

#### Schedule of Charges for the Services of

### Dr. Ralph E. Holben

	At new rates, e.	At former rates speci- fied in Board's	
			Sept. 10, 1959
	Oct. 16, 1960 through		17 10/0
	Dec. 10. 1960 July 10 - Oct. 19 (1) weeks		
Salary Retirement contributions Froup insurance contributions Sick leave (1/2 day per 2-week Period, at \$52.00 per day at the new period of the period of th	\$2,080.00 135.20 7.00	\$3,640.00 236.60 12.25	\$3,382.40 219.97 11.38
less What may be used during		200.00	1
th benefit contributions	104.00 12.48	182.00 21.84	169.12
lieu of expenses	392.00	686.00	686.00
ad	\$2,730.68	\$4,778.69	1 \$4,468.77

Mote:

In addition, Dr. Holben accrues annual leave at the rate of 26 days per year (1 day per two-week period), and an additional charge will be made at the new rate of \$52.00 per day (formerly \$48.32 per day) for any annual leave accrued beginning July 10, 1960, and unused during the period of the detail.