

Minutes for October 13, 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

The image shows handwritten initials and signatures for each board member, written over horizontal lines. From top to bottom: Chm. Martin has initials 'JM'; Gov. Szymczak has initials 'MS'; Gov. Mills has initials 'M'; Gov. Robertson has initials 'R'; Gov. Balderston has initials 'CB'; Gov. Shepardson has initials 'S'; Gov. King has initials 'K'.

Minutes of the Board of Governors of the Federal Reserve System on  
Thursday, October 13, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of Examinations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Landry, Assistant to the Secretary

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 Chemical Bank New York Trust Company, New York City, approving an extension of time to establish a branch at 501 East 79th Street.	1
Letter to The First National City Bank of New York, New York City, approving an extension of time to establish a branch on Munoz Rivera Avenue, San Juan, Puerto Rico.	2
Letter to The Citizens State Bank of Ontonagon, Ontonagon, Michigan, approving an extension of time to establish a branch at Adventure Avenue, Mass, Michigan.	3
Letter to First National Bank of Casper, Casper, Wyoming, approving its supplemental application for fiduciary powers.	4
Letter to First State Bank of Corpus Christi, Corpus Christi, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	5
Letter to the Federal Reserve Bank of Boston approving the appointment of James L. Maher as Assistant Federal Reserve Agent and John J. Barrett as Alternate Assistant Federal Reserve Agent.	6

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Mr. Goodman withdrew from the meeting at this point.

Request by BancOhio Corporation (Item No. 7). Under date of October 12, 1960, there had been distributed a memorandum from the Legal Division regarding a request by BancOhio Corporation for oral argument on its application pursuant to section 3(a)(2) of the Bank Holding Company Act for approval of acquisition of the voting shares of The Hilliard Bank, Hilliards, Ohio. As noted in the memorandum, the Hearing Examiner on September 15, 1960, submitted his Report and Recommended Decision in this matter to the effect that the application be denied, and on October 10, 1960, applicant filed Exceptions to the Report and Recommended Decision and brief in support thereof and requested that the matter be set down for oral argument before the Board or one or more of its members. The recommendation of the Legal Division was that BancOhio's request be granted, based upon the following considerations:

- (1) The fact that the Hearing Examiner submitted a recommendation adverse to the applicant's request;
- (2) That, on October 10, 1960, the Department of Justice filed with the Board a Statement of the United States in Opposition, wherein the Department urged the adoption by the Board of the Hearing Examiner's recommended decision; and
- (3) The fact that applicant submitted a lengthy opposition to the recommended decision containing assertions of contrary inferences and conclusions to be drawn from the record.

Since counsel for the applicant was unable to suggest a date for oral argument convenient to the applicant, the draft of Order attached to the

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memorandum that would grant applicant's request would defer the setting of time and place for oral argument.

There being no objection, unanimous approval was given to the Order granting the request of BancOhio Corporation, Columbus, Ohio, for oral argument before the Board on its application pursuant to section 3(a)(2) of the Bank Holding Company Act for approval of acquisition of up to 100 per cent of the voting shares of The Hilliard Bank, Hilliards, Ohio. A copy of the Order is attached to these minutes as Item No. 7.

First Security Investment Company and First Security Corporation (Item No. 8). A file containing a memorandum from the Division of Examinations dated September 29, 1960, and attaching a draft of letter to the Comptroller of the Currency had completed circulation. The memorandum referred to the Board meeting of May 23, 1960, at which the Board suggested that the staff look further into the scope of operations of First Security Investment Company and First Security Corporation, both of Salt Lake City, Utah, particularly as to the relationships existing between First Security Savings and Loan Association, Salt Lake City, Utah, and First Security Bank of Idaho, N. A., Boise, Idaho. As indicated in the memorandum, there no longer existed interlocking directorate affiliations between the new First Security Corporation and its subsidiaries, based upon a report of examination as of December 31, 1959. However, the draft of letter to the Comptroller of the Currency would state in part that a review of the activities of the nonbanking subsidiaries of First Security Investment Company in relation to the subsidiary banks of the new First Security Corporation revealed that certain branches of First Security

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Bank of Idaho, N. A., Boise, Idaho, were serving as quarters for branches of First Security Savings and Loan Association, Inc., Salt Lake City, that other branches were acting as servicing agents for the same Association, and that the remaining branches accepted funds for transmittal, as the customers' agent, and redemption requests for forwarding to First Security Savings and Loan Association, Pocatello, Idaho.

Mr. Solomon commented that although the relationships referred to in the draft letter to the Comptroller were not necessarily new, it was thought by the Division of Examinations that an indication of their continuance might interest the Comptroller, since First Security Bank of Idaho, N. A. is controlled by the new First Security Corporation, a registered bank holding company separate and distinct from the corporation that controls the First Security savings and loan associations in Salt Lake City and Pocatello, Idaho.

It was brought out in a discussion of a point raised by Governor Mills that there was no illegality involved in the relationships referred to and that the Comptroller of the Currency held primary jurisdiction over this question, since a national bank was involved. It was further indicated that since First Security Investment Company, Salt Lake City, which controls the savings and loan associations in question, was no longer subject to supervision by any of the Federal bank supervisory agencies because its activities are now entirely of a nonbanking character following "spin-off" of certain assets by it to First Security Corporation on September 15, 1959,

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the Board had no legal basis for objection to the housing of branches of First Security Savings and Loan Association, Inc., Salt Lake City, in branches of First Security Bank of Idaho, N. A. or the other relationships concerned.

Discussion then developed regarding the degree of public awareness of the corporate changes that had occurred in the First Security system following the "spin-off" on September 15, 1959. Mr. Hostrup said that although it was likely the average bank customer was not cognizant of these developments, one objectionable practice previously noted by other bankers in the same competitive areas had been discontinued, namely, combined advertising in newspapers which linked both savings and loan associations with the banks in the First Security system in such a way as to give the impression that the national banks were paying 3-1/2 per cent on savings deposits. According to the most recent report of examination of First Security Bank of Idaho, N. A., Boise, Idaho, Mr. Hostrup said, the branches of that bank that were also housing branches of the savings and loan association were no longer actively soliciting public purchase of shares in the association, although they continued to accept monies for this purpose.

Following further discussion, the letter to the Comptroller of the Currency informing him of the aforementioned relationships between First Security Bank of Idaho, N. A., Boise, Idaho, and certain savings and loan associations was approved unanimously. A copy of the letter is attached as Item No. 8.

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Mr. Fauver, Assistant to the Board, joined the meeting during the foregoing discussion and Messrs. Solomon, Hexter, and Hostrup withdrew at its conclusion.

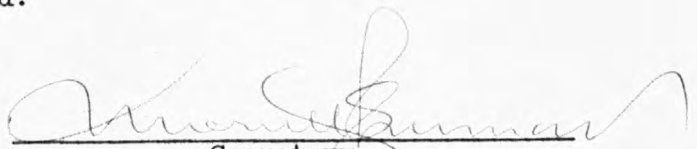
Outside business and teaching activities. Governor Shepardson indicated that he had reviewed the October 10, 1960, memorandum from the Division of Personnel Administration relating to outside business and teaching activities of the Board's staff that had been distributed to the Board. Based upon this review, it was his belief that the recommendation of the Division that the Board give permission for such participation by staff members who reported these activities should be approved, and he so recommended.

Governor Mills observed that some of the activities listed in the memorandum appeared to absorb a fair amount of time for the staff members concerned, but since it was indicated in the memorandum that their Division heads believed these outside activities did not impair their work at the Board, he would not object to the recommendation of the Division of Personnel Administration.

The recommendation was then approved unanimously, with the understanding that should Governors Balderston and Robertson, who were absent, so request, the question would be reconsidered by the Board.

Secretary's Note: Governors Balderston and Robertson subsequently informed the Secretary that they had no objection to acceptance of the recommendation of the Division of Personnel Administration in the foregoing matter.

The meeting then adjourned.

  
Secretary

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

Item No. 1  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 13, 1960



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

Gentlemen:

The Board of Governors extends to April 17, 1961, the time within which Chemical Bank New York Trust Company, New York, New York, may, under the authority contained in the Board's letter of October 16, 1959, establish a branch at 501 East 79th Street, New York, New York.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



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

Item No. 2  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 13, 1960



The First National City Bank of New York,  
55 Wall Street,  
New York 15, New York.

Gentlemen:

In view of the request contained in your letter of September 27, 1960, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends to December 31, 1961, the time within which your Bank may establish a branch in the Rio Piedras section of San Juan, Puerto Rico, to be located on Minoz Rivera Avenue between Borinquen and Margarita Streets, as approved by the Board on October 26, 1959.

It is understood that your landlord has been having difficulty in having his plans approved by the local planning board, but that you expect construction will start within the next thirty days and that it is anticipated approximately twelve months will be required to complete the premises of the proposed branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 3  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 13, 1960



Board of Directors,  
The Citizens State Bank of Ontonagon,  
Ontonagon, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Minneapolis, the Board of Governors of the Federal Reserve System extends until March 7, 1961, the time within which The Citizens State Bank of Ontonagon may establish a branch at Adventure Avenue, Mass, Michigan, under the authorization contained in the Board's letter of July 7, 1960.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 4  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 13, 1960



Board of Directors,  
First National Bank of Casper,  
Casper, Wyoming.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as assignee, receiver, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Wyoming. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

In addition to the fiduciary powers herein authorized, the bank was granted authority on July 3, 1917, to act as trustee, executor, administrator and registrar of stocks and bonds, and was granted supplemental authority on January 4, 1927, to act as guardian of estates.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 5  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 13, 1960

Board of Directors,  
First State Bank of Corpus Christi,  
Corpus Christi, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your letters of September 27 and 30, 1960, together with a resolution dated September 20, 1960, signifying your intention to withdraw from membership in the Federal Reserve System and requesting a waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Dallas.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 6  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 13, 1960

Mr. Robert C. Sprague,  
Chairman of the Board and  
Federal Reserve Agent,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Sprague:

In accordance with the request contained in your letter of September 29, 1960, the Board of Governors approves the appointments of Mr. James L. Maher as Assistant Federal Reserve Agent, and of Mr. John J. Barrett as Alternate Assistant Federal Reserve Agent, effective November 1, 1960. It is understood that these appointments result from the fact that Mr. Clifford E. Morrissey, the present Assistant Federal Reserve Agent, will retire on October 31, 1960.

This approval is given with the understanding that these appointees 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, the Assistant Federal Reserve Agent will be responsible solely to the Board of Governors and the Alternate Assistant Federal Reserve Agent will be responsible to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of their duties as Assistant and Alternate Assistant Federal Reserve Agents, respectively, the appointees 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 Assistant and Alternate Assistant Federal Reserve Agents.

It will be appreciated if these new appointees 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 noted from your letter that, upon the approval of the appointments of Messrs. Maher and Barrett by the Board of Governors, they will execute the usual Oaths of Office, which will be forwarded to the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
: In re Application of

:  
: BANCOHIO CORPORATION, 51 North High  
: Street, Columbus, Ohio

DOCKET NO.

: Pursuant to Section 3(a)(2) of the  
: Bank Holding Company Act of 1956,  
: for approval of acquisition of up  
: to one hundred per cent of the  
: voting shares of The Hilliard  
: Bank, Hilliards, Ohio  
: -----

BHC-56

ORDER GRANTING REQUEST FOR ORAL ARGUMENT

The applicant in the above-entitled matter having requested that the same be set down for oral argument before the Board, IT IS ORDERED that applicant's request be granted, said oral argument to be set down for such time and place as shall hereafter be fixed by the Board.

Dated at Washington, D. C. this 13th day of October, 1960.

By order of the Board of Governors.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

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

Item No. 8  
10/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 13, 1960



The Honorable Ray M. Gidney,  
Comptroller of the Currency,  
Washington 25, D. C.

Dear Mr. Gidney:

At the request of the Board, its staff has reviewed the activities of the nonbanking subsidiaries of First Security Investment Company, Salt Lake City, Utah (formerly First Security Corporation) in relation to the subsidiary banks of the new First Security Corporation. As you are aware, the separation of the banking and nonbanking activities of the former First Security Corporation was accomplished in compliance with the requirements of section 4 of the Bank Holding Company Act of 1956.

As a result of such review, it is noted from the report of examination as of May 9, 1960, of First Security Bank of Idaho, N.A., Boise, Idaho, that certain branches of the bank also house branches of the First Security Savings and Loan Association, Inc., Salt Lake City, Utah; that other branches act as servicing agents for the same Savings and Loan Association; and that the remaining branches accept funds for transmittal, as the customers' agent, and redemption requests for forwarding to the First Security Savings and Loan Association, Pocatello, Idaho.

While these relationships between the bank and the savings and loan associations are not necessarily new, it may be of interest that they appear to be continuing notwithstanding the fact that the bank is now controlled by the new First Security Corporation, a registered bank holding company separate and distinct from the Corporation that controls the savings and loan associations.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.