

Minutes for October 21, 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

(Handwritten initials and signatures)
_____ *(Signature)*
_____ *(Signature)*
_____ *(Signature)*
_____ *(Signature)*
_____ *(Signature)*
_____ *(Signature)*
_____ *(Signature)*

Minutes of the Board of Governors of the Federal Reserve System
on Friday, October 21, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Marget, Director, Division of International
Finance
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Sammons, Associate Adviser, Division of
International Finance
Mr. Landry, Assistant to the Secretary
Mr. Keir, Chief, Government Finance Section,
Division of Research and Statistics

Report on money market conditions and the international gold
market. Messrs. Thomas and Keir presented a report on current conditions
in the money market, and Mr. Marget made a statement on the recent specu-
lative activity in the international gold market.

Following these reports all members of the staff with the exception
of Messrs. Sherman, Kenyon, and Landry withdrew and the following entered
the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Supervisory Review Examiner, Division
of Examinations
Mr. Poundstone, Supervisory Review Examiner,
Division of Examinations

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Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Kansas City, and San Francisco on October 20, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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 First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch in Tullytown Borough, Bucks County.	1
Letter to First National Bank in Waycross, Georgia, approving its application for permission to exercise fiduciary powers.	2
Letter to the Federal Reserve Bank of New York interposing no objection to an extension of Mr. Fleetwood's assignment in Venezuela.	3

Boston Overseas Financial Corporation (Item No. 4). Copies had been distributed of a draft of letter to Boston Overseas Financial Corporation, Boston, Massachusetts, enclosing a final permit from the Board granting it authority to commence business as a corporation organized under the provisions of section 25(a) of the Federal Reserve Act, and granting consent and approval, subject to certain prescribed conditions, for:

- (a) Overseas to purchase and hold shares of capital stock of a corporation to be formed under the laws of the Republic of Panama and to be known as Massnat Corporation, provided the aggregate investment (including all loans to such subsidiary) may not exceed US\$1,500,000; and

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- (b) Massnat to purchase and hold shares of capital stock of a corporation to be formed under the laws of the Republic of Argentina to be known as Corporacion Financiera de Boston, provided the aggregate investment (including all loans to such subsidiary) may not exceed US\$1,500,000.

In discussion of the matter, Mr. Goodman said that a memorandum was in process, and would be ready shortly for the Board's consideration, concerning the question of limitations on loans by foreign subsidiaries of Edge Act Corporations.

The letter to Boston Overseas Financial Corporation was then approved unanimously. A copy is attached as Item No. 4.

Investment by International Banking Corporation (Item No. 5).

There had been distributed under date of October 17, 1960, a memorandum from the Division of Examinations recommending approval of an application by International Banking Corporation, New York City, for permission to purchase and hold substantially all the stock of First National City Trust Company (Bahamas), Ltd., a trust company organized under the laws of the Bahamas. Attached to the memorandum, which indicated that the Federal Reserve Bank of New York recommended approval and that the State Department and Comptroller's Office saw no objection, was a draft letter to International Banking Corporation approving such investment in an approximate amount of US\$280,000. The letter would stipulate certain conditions upon which the Board's consent to the proposed purchase and holding of stock would be predicated.

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Following comments by Mr. Goodman, the letter to International Banking Corporation was approved unanimously. A copy is attached as Item No. 5.

Messrs. Sammons, Goodman, and Poundstone then withdrew from the meeting.

Application of Deposit Guaranty Bank & Trust Company. Mr. Solomon referred to yesterday's meeting of the staff with representatives of Deposit Guaranty Bank and Trust Company, Jackson, Mississippi, during which additional information was presented in support of the request of Deposit Guaranty for reconsideration by the Board of its adverse decision on October 12, 1960, with respect to the application of the bank to merge with Bank of Hazlehurst, Hazlehurst, Mississippi. After the meeting with the staff, Mr. W. P. McMullan, Chairman of the Board of Deposit Guaranty, had indicated to Mr. Solomon that he would appreciate an opportunity to present his views to the Board itself.

In reply to a question, Mr. Solomon said that the staff had reached no conclusion as yet with respect to the weight that should be given to the new material presented by Deposit Guaranty, but that an analytical memorandum would be prepared.

Mr. Hackley indicated that he would see no legal objection if the Board should wish to afford Mr. McMullan an opportunity to appear. He noted that a year or so ago, in a holding company case, the Board distinguished between a request for reconsideration of one of its decisions and

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reconsideration itself. It was pertinent to ask, therefore, whether the Board, if it heard Mr. McMullan, would be listening to a request for reconsideration of the case or would be reconsidering its October 12 decision. However, even if the Board should decide to reconsider the application itself, Mr. Hackley felt that there would still be no reason why the Board should not grant Mr. McMullan an audience if it so desired. Should the Board be inclined thereafter to reverse its decision on the Deposit Guaranty application, it would be appropriate, though not legally necessary, to consider the request of the other bank in Hazlehurst for a hearing. Should such a hearing be decided upon, the Board might wish to consider whether to notify the Justice Department although, in this instance also, there was no legal necessity for such notification.

Governor Mills stated that in his opinion the Board should not indicate to Mr. McMullan whether or not it would grant him an audience until after a memorandum was available from the staff concerning the additional information submitted by Deposit Guaranty. He noted that if the Board should decide not to grant Mr. McMullan's request, despite the new information provided, and should maintain its previous position on the merger application, the applicant would not be deprived of its legal right to carry its case to the courts. On the other hand, if Mr. McMullan should be granted an audience, the Board would be moving into an indeterminate area in which evidence was being submitted without hearing the views of parties opposed to the merger.

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Governor Robertson agreed that it might be desirable to review the new information presented by Deposit Guaranty, as analyzed by the Board's staff, before deciding whether to grant Mr. McMullan's request to make an oral presentation to the Board. To do otherwise would necessitate making a decision to hear Mr. McMullan without knowing the nature of the information that had been presented to the staff. Should the Board decide, after studying the staff analysis, to afford Mr. McMullan an opportunity to be heard, it was his view that the same opportunity should be provided for those opposing the merger. A possible alternative procedure, if the Board should determine that there was a sufficient basis for reconsideration of the application by Deposit Guaranty, would be to order a hearing before a designated hearing officer.

After further discussion, it was decided to follow a procedure whereby the Board would first consider the new information presented by Deposit Guaranty, as analyzed by the staff, before making any further decision on procedure.

Governor King, who had abstained from voting on the merger application, did not participate in the foregoing discussion or the decision reached by the Board on procedure.

Mr. Farrell, Director, Division of Bank Operations, entered the room during the foregoing discussion and Messrs. Hackley, Solomon, Hexter, and Leavitt withdrew at this point.

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Leasing of space at Federal Reserve Bank of Chicago. Governor Balderston referred to the decision reached at the Board meeting on July 7, 1960, not to interpose objection to use by the Federal Reserve Bank of Chicago of a real estate agent to locate suitable tenants for space in the head office building. He said that President Allen of the Reserve Bank called him yesterday and advised that the activities of the agent had disclosed interest in leasing space on the part of a public accounting firm, a life insurance company, and a firm engaged in activities such as investment counseling and the sale of shares in mutual funds. President Allen had inquired whether any objection would be seen to the acceptance of such parties as tenants.

As a result of discussion of this question, it was decided to advise President Allen informally that no objection was seen to accepting the accounting firm and the insurance company as tenants, but that on the basis of precedent it was thought inadvisable to furnish space in the Reserve Bank building to the investment firm, notwithstanding the superior reputation of the particular firm in question.

Comparative operational cost study. Governor King referred to a method of cost analysis devised by a director of the Omaha Branch of the Kansas City Reserve Bank. This method of analysis, which covered all major operations at the three branches of the Kansas City Bank, was used as the basis for a presentation at a recent branch directors' meeting that Governor King had attended, and he felt that it might be useful to other

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Reserve Banks as well. Accordingly, he had retained a copy of the data presented at the directors' meeting.

Mr. Farrell commented on the methods followed by the Division of Bank Operations and the Federal Reserve Banks in making cost analyses, and it was understood that the Division would review the material referred to by Governor King in order to appraise its value as a supplementary approach.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated October 4, 1960, from Mr. Hackley, General Counsel, recommending a salary increase for Paula G. Hauprich, Secretary in that Division, from \$4,840 to \$5,160 per annum, effective October 30, 1960.

Memorandum dated September 2, 1960, from Mr. Solomon, Director, Division of Examinations, recommending a salary increase for Patricia R. Baker, Secretary in that Division, from \$4,675 to \$4,995 per annum, effective October 30, 1960.

Letter to the Federal Reserve Bank of Minneapolis (attached Item No. 6) approving the designation of Roland D. Graham as special assistant examiner.



Secretary

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

Item No. 1
10/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 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 the northeast corner of U.S. Route 13 and Levittown Parkway, Tullytown Borough, Bucks 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
10/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1960

Board of Directors,
First National Bank
in Waycross,
Waycross, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First National Bank in Waycross authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, 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 Georgia. 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.

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. 3
10/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1960



Mr. William H. Braun, Jr.,
Secretary,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Braun:

This letter is in reply to your letter of October 14, in which you indicated that your Directors had approved an extension of Mr. Fleetwood's stay in Venezuela for an additional maximum period of four weeks from October 20 in order to permit him to complete the work he has undertaken. You indicated that the Bank would continue to pay Mr. Fleetwood's salary and that the Venezuelans would continue to pay all maintenance, travel and incidental expenses.

Your letter has been brought to the attention of the Board of Governors, which interposes no objection to the arrangements as outlined by you.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary

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

Item No. 4
10/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1960



Mr. Roger C. Damon, President,
Boston Overseas Financial Corporation,
67 Milk Street,
Boston 6, Massachusetts.

Dear Mr. Damon:

The Board of Governors has received a certificate of the President, Secretary, and three directors of Boston Overseas Financial Corporation, dated October 13, 1960, certifying the information required by Section 3(c) of Regulation K as prerequisite to the issuance of a final permit to commence business.

There is enclosed herewith a final permit of the Board of Governors granting to Boston Overseas Financial Corporation authority to commence business as a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act.

Upon completion of the organization of the Corporation, it will be appreciated if you will furnish the Board of Governors with a copy of the By-Laws of the Corporation.

Consideration has been given by the Board of Governors to the request contained in your letter dated October 13, 1960, transmitted through the Federal Reserve Bank of Boston, for the Board's consent for (1) Boston Overseas Financial Corporation ("Overseas") to purchase and hold 15,000 shares of capital stock, par value US\$100 per share, of a corporation to be organized under the laws of the Republic of Panama, and to be known as Massnat Corporation ("Massnat") in the aggregate amount of \$1,500,000 and (2) Massnat to invest up to US\$1,500,000 in the stock of a finance company to be organized under the laws of Argentina, and to be known as Corporacion Financiera de Boston ("Financiera").

In the event Overseas invests in Massnat and Massnat in turn invests in Financiera, neither Massnat nor Financiera should be permitted to make loans to and investments in any one person or government in amounts which, combined with the amounts of loans to and investments in such person or government by Overseas and the other subsidiary (Financiera or Massnat, as the case may be), would be in excess of the

Mr. Roger C. Damon

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amount permitted to Overseas. For example, if total liabilities of one borrower to Overseas were limited under Section 10(a) of Regulation K to \$1,000,000, such limitation would apply to the aggregate liabilities of such borrower to any or all of the three corporations above named. Accordingly, should the proposed arrangements for investment in and establishment of Massnat and Financiera be completed, the limitations on Overseas would be applicable to the loans and investments of all of said corporations on a combined basis.

The Board of Governors, therefore, grants its consent and approval, for the purposes of Sections 9(c), 9(d)(2), and 10(a) of Regulation K, to:

- (a) Overseas to purchase and hold shares of capital stock of a corporation to be formed under the laws of the Republic of Panama and to be known as Massnat Corporation, provided the aggregate investment (including all loans to such subsidiary) may not exceed US\$1,500,000; and
- (b) Massnat to purchase and hold shares of capital stock of a corporation to be formed under the laws of the Republic of Argentina to be known as Corporacion Financiera de Boston, provided the aggregate investment (including all loans to such subsidiary) may not exceed US\$1,500,000.

The Board's approval of the proposed investment in Massnat is given subject to the following conditions:

- (1) Such investment shall be made within one year from the date of this letter and the Board of Governors shall be informed, through the Federal Reserve Bank of Boston, when such investment is made, together with pertinent details regarding such investment.
- (2) Massnat shall carry on its business in accordance with sound financial policies, including, among others, (a) appropriate diversification of its loan and investment portfolios so as to avoid undue concentrations in loans to, and investments in, individual enterprises, industries, or otherwise, and (b) proper regard to the relationship between its assets and the maturities of its obligations so as to give reasonable assurance that the corporation will be in a position to pay its obligations as they mature.
- (3) So long as Overseas is the controlling stockholder in Massnat, Massnat will make no investment in the stock of other corporations except after the consent of the Board of Governors has been obtained in the same manner as provided by Section 9(c) of Regulation K for Financing Corporations.

Mr. Roger C. Damon

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- (4) Overseas shall not purchase or hold any stock in Massnat (a) if Massnat at any time fails to restrict its activities to those permissible to a corporation in which Overseas, with the consent of the Board of Governors, may purchase and hold stock under Section 25(a) of the Federal Reserve Act or the regulations thereunder, or (b) if Massnat, except with the consent of the Board of Governors, establishes or relocates any branch or agency, or takes any action or engages in any operation, in Panama or elsewhere, which at that time could not be taken, or engaged in, by Overseas itself.
- (5) Overseas will be expected to dispose of its holdings of stock of Massnat, as promptly as practicable, in the event that Massnat should at any time (a) engage in issuing, underwriting, selling, or distributing securities in the United States; (b) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (c) conduct its operations in a manner inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.
- (6) When required by the Board of Governors, Overseas will cause Massnat to permit examiners appointed by the Board of Governors to examine Massnat and its branches and agencies, and to furnish the Board of Governors with such reports as it may request from time to time.

The Board's approval of the proposed investment by Massnat in Financiera is given subject to the same conditions as specified above with regard to the investment by Overseas in Massnat to the extent applicable.

It is understood that for the time being Overseas and Massnat will function solely as holding companies and that, if and when you are ready to have either Overseas or Massnat engage in other types of business or make other investments than those specifically authorized above, further application will be made to the Board.

Upon completion of the organization of Massnat and Financiera, it is requested that the Board of Governors be furnished with final copies of the Articles of Association and By-Laws of the corporations.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

October 21, 1960

Permit to Begin Business

WHEREAS, the Board of Governors of the Federal Reserve System on the fourth of October, Nineteen Hundred and Sixty, approved the Articles of Association and Organization Certificate of Boston Overseas Financial Corporation in accordance with the terms of Section 25(a) of the Federal Reserve Act; and

WHEREAS, by satisfactory evidence presented to the Board of Governors of the Federal Reserve System, it appears that Boston Overseas Financial Corporation has complied with all of the provisions of the statutes of the United States required to be complied with before a corporation shall be authorized to commence business as a corporation organized under Section 25(a) of the Federal Reserve Act;

NOW, THEREFORE, it is hereby certified that Boston Overseas Financial Corporation is authorized to commence business as a corporation organized and operating under the provisions of Section 25(a) of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System issued in accordance therewith.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed on the day and year first above written.

(SEAL)

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
10/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1960



International Banking Corporation,
55 Wall Street,
New York, New York.

Gentlemen:

In accordance with the request and on the basis of the information submitted in your letters of June 14 and September 20, 1960, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to the purchase and holding by International Banking Corporation of the stock of "First National City Trust Company (Bahamas) Limited", a trust company organized under the laws of the Bahamas and located in Nassau, Bahamas, such stock to be acquired at a cost of approximately US\$280,000 within one year from the date of this letter.

It is understood that all of the stock, except for five shares, will be owned by International Banking Corporation (IBC).

The Board's consent to the proposed purchase and holding of stock is granted subject to the following conditions:

- (1) That IBC shall not hold any stock in the trust company if the trust company at any time fails to restrict its activities to those permissible to a corporation in which IBC, with the consent of the Board of Governors, may purchase and hold stock under its agreement entered into under Section 25 of the Federal Reserve Act or Regulation K, or if the trust company, except with the consent of the Board of Governors, establishes any branch or agency or takes any action or undertakes any operation in the Bahamas or elsewhere which at that time is not permissible to IBC without such consent;
- (2) That when required by the Board of Governors, IBC will cause the trust company to permit examiners appointed by the Board of Governors to examine the trust company and to furnish the Board of Governors with such reports as it may require from time to time;

International Banking Corporation -2-

- (3) That IBC will be expected to dispose of the stock of the trust company as promptly as practicable in the event that operations of the trust company should at any time be inconsistent with the provisions of the agreement of IBC under Section 25 of the Federal Reserve Act or Regulation K or of the terms of this letter; and
- (4) That the offices of the trust company will be established in quarters separate and distinct from those of the Nassau Branch of The First National City Bank of New York.

Upon the completion of the organization of the proposed trust company, it is requested that the Board of Governors be furnished with copies of final Articles of Association, Memorandum of Association, and By-Laws of the trust company and a list of officers and directors, with addresses and principal business affiliations. Please advise the Board of Governors, through the Federal Reserve Bank of New York, when the trust company is established and opened for business, furnishing information as to the exact location of the company.

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
10/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1960

Mr. Frederick L. Deming, President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Deming:

In accordance with the request contained in
your letter of October 14, 1960, the Board approves the
designation of Roland D. Graham as a special assistant
examiner for the Federal Reserve Bank of Minneapolis.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.