

Minutes for November 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	<u>(M)</u>
Gov. Szymczak	<u>MS</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>R</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System

on Monday, November 21, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, 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. Knipe, Consultant to the Chairman
Mr. Landry, Assistant to the Secretary

Messrs. Noyes, Koch, Robinson, Brill, Dembitz,
Williams, Keir, Altmann, Fisher, Kalachek,
Manookian, and Trueblood, and Misses Dingle
and Stockwell of the Division of Research
and Statistics

Messrs. Hersey, Irvine, Katz, Wood, Dahl, Gemmill,
Maroni, and Reynolds of the Division of
International Finance

Economic review. The staffs of the Divisions of International Finance and Research and Statistics presented a review of recent economic developments.

At the conclusion of this review all members of the staff with the exception of Messrs. Sherman, Young, Fauver, Noyes, and Landry withdrew and Messrs. Hackley, General Counsel; Solomon, Director, Division of Examinations; Hexter, Assistant General Counsel; and Nelson, Assistant Director, Division of Examinations, entered the room.

11/21/60

-2-

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

	<u>Item No.</u>
Letter to Bankers Trust Company, New York City, approving the establishment of a branch at 101 West 66th Street, Borough of Manhattan.	1
Letter to The Chase Manhattan Bank, New York City, approving the establishment of a branch at 351 East 148th Street and 531 Courtlandt Avenue, Bronx.	2
Letter to First Trust & Deposit Company, Syracuse, New York, approving the establishment of a branch in Salina.	3
Letter to Union Bank, Los Angeles, California, approving the establishment of a branch on the southwest corner of Wilshire Boulevard and Western Avenue.	4

Telephone call from President Bopp regarding reports on competitive factors. Governor Balderston said that as a result of a discussion at a meeting of the directors of the Federal Reserve Bank of Philadelphia, President Bopp had raised the question as to what advice was expected by the Board from a Reserve Bank in connection with a proposed merger of banks in its district. Specifically, the question had arisen because of the publicity given to the proposed consolidation of the Philadelphia National Bank and Girard Trust Corn Exchange Bank, both of Philadelphia, under the charter of the national bank. It was anticipated that the

11/21/60

-3-

Board shortly would be asked by the Comptroller of the Currency to furnish a report on the competitive factors involved in the proposed merger and that the Board in turn would request a report from the Philadelphia Reserve Bank.

Governor Balderston said that one of the questions presented by President Bopp was whether the Board of Governors desired that the Reserve Bank's report be from the board of directors, from the President of the Bank, or from the Vice President in charge of examinations. Another question was whether the Board of Governors wished to have only a report of the facts relating to the competitive situation or whether it wished also to receive a definite recommendation as to whether the merger should be permitted. Governor Balderston stated that he had commented to President Bopp that the question of who passed on the report was an internal matter for the Bank. If the Reserve Bank's board of directors wished to intervene in the preparation of a report on competitive factors, it had the right to do so, although ordinarily it would be expected that the answering of a request by the Board of Governors for such a report under Public Law 86-463 would be delegated to the officers of the Bank. On the question of whether the report should cover only the facts on the competitive situation or include a definite recommendation, Governor Balderston said that he understood Mr. Solomon had discussed this subject in general terms with Vice President Campbell of the Philadelphia Bank.

11/21/60

-4-

Mr. Solomon said that this question had come up at the Examiners' Conference held earlier this year, at which time he had pointed out that when the Board of Governors was reporting on a proposed merger subject to the approval of either the Comptroller of the Currency or the Federal Deposit Insurance Corporation, the Board's report under the law would not take the form of a recommendation but rather, as provided in the law, was a report on the competitive factors in the situation. Similarly, the Board desired from a Reserve Bank whatever comments the Bank might be able to give to assist the Board in preparing its report on the competitive factors. Mr. Solomon said that he also had pointed out that where a proposed merger was subject to the approval of the Board of Governors rather than one of the other banking agencies, a definite recommendation from the Reserve Bank was desired.

Governor Balderston said that President Bopp had stated that he felt he could answer any further questions his directors might have regarding this subject on the basis of the conversations that he and members of his staff had had with the Board's organization. However, he was bringing the matter to the Board's attention for its information and for any further comments that the members might wish to make.

Governor Mills expressed the opinion that the directors of a Federal Reserve Bank would be within their rights and that they could feel an obligation to express an opinion on a bank merger proposed within their particular Federal Reserve District. However, this should be

11/21/60

-5-

regarded as an opinion and the directors should not interpose that opinion in any way that would color or influence the report or the recommendation (as the case might be) of the professional staff of the Reserve Bank. The Board of Governors, he said, was seeking the professional judgment of the Bank on the competitive factors in a merger and it would be unfortunate if a Reserve Bank's professional staff had any feeling that its recommendations and its judgments were to be modified because of views held by the board of directors.

Governor Robertson said that he felt the answer that had been given to President Bopp was entirely appropriate. The Board desired a report on the competitive factors and this ordinarily would be expected to come from the officers of the Bank. If the directors also held views on a merger, the Board would be glad to have those views as well as the factual report from the officers of the Bank. If the case was one that would come before the Board for decision, then the Board desired not only a factual report but a definite recommendation. It was correct to say that the directors of the Reserve Bank had the power to express their views on a merger, although this was an authority that should not be used to silence the Reserve Bank's staff in expressing either its views or transmitting factual information.

Mr. Hackley said that it was clear that the general direction and administration of affairs of a Reserve Bank were in the province of the board of directors under the law. The President and the officers

11/21/60

-6-

of the Bank were in charge of operations of the Bank, however, and they ordinarily acted on behalf of the Bank in operating matters, including such matters as submitting factual reports relating to bank supervision.

While the directors of a Reserve Bank could if they wished to do so adopt a general policy of passing on matters of this sort, they would not ordinarily consider it feasible to do so as a regular course of business. For this reason, Mr. Hackley felt that there might be some question as to whether it would be appropriate for a board of directors to single out a specific merger and take action to express its views because of a special interest on the part of one or more of the directors when that was not the usual course.

During the ensuing discussion, Chairman Martin expressed the view that there would seem to be no problem in handling these matters at the Reserve Bank. The bank supervisory powers represented a function assigned to the Board of Governors under the law, and the Board in carrying out that function could solicit the views of anyone whom it wished to approach. As for the content of a report, while the Board expressly wished to receive the factual summary of the competitive situation involved in a merger, he did not anticipate that a problem would develop if the Reserve Bank made a recommendation on whether a given merger should be permitted, even if the merger was not one which called for approval or disapproval by the Board of Governors.

11/21/60

-7-

Governor Balderston stated that he believed that the information that had already been given to President Bopp carried out the general views that had been expressed by the members of the Board at this meeting.

Messrs. Young and Noyes withdrew from the meeting during the discussion of the foregoing subject, and all members of the staff with the exception of Messrs. Sherman and Fauver withdrew at its conclusion.

Appointment of directors. After discussion of data on possible appointees contained in memoranda that had been distributed to the Board, it was agreed to request the Chairmen of the appropriate Federal Reserve Banks to ascertain and advise whether the following persons would accept appointments, if tendered, as Class C directors or as branch directors for the terms indicated, with the understanding that if it were ascertained that they would accept, the appointments would be made:

William Webster, President, New England Electric Company, Boston, Massachusetts, as Class C director at the Federal Reserve Bank of Boston for the three-year term ending December 31, 1963.

Walter C. Langsam, President, University of Cincinnati, as director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland, for the three-year term ending December 31, 1963.

George Leland Bach, Dean of the Graduate School of Industrial Administration, Carnegie Institute of Technology, Pittsburgh, Pennsylvania, as director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland, for the three-year term ending December 31, 1963.

Homer A. Scott, Vice President and District Manager, Peter Kiewit Sons' Company, Sheridan, Wyoming, as Class C director of the Federal Reserve Bank of Kansas City, for the three-year term ending December 31, 1963. (Mr. Scott is presently serving as a director of the Omaha Branch of the Federal Reserve Bank of Kansas City.)

11/21/60

-8-

Otto C. Barby, Attorney and Rancher, Beaver, Oklahoma, as director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, for the two-year term ending December 31, 1962.

Clifford Morris Hardin, Chancellor, University of Nebraska, Lincoln, Nebraska, as director of the Omaha Branch of the Federal Reserve Bank of Kansas City, for the two-year term ending December 31, 1962. (Mr. Hardin would succeed Homer A. Scott upon the appointment of the latter as a Class C director of the Kansas City Bank.)

Secretary's Note: It having been ascertained subsequently that all of the foregoing individuals would accept appointment if tendered, appropriate appointment telegrams were sent to them.

The Board also approved the designation of Lamar Fleming, Jr., as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Dallas for the calendar year 1961, and his compensation was fixed on the uniform basis for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors.

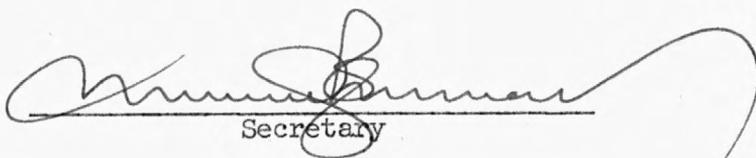
Secretary's Note: Subsequently, Mr. Fleming informed Chairman Martin that for personal reasons he would be unable to serve as Chairman, and he was accordingly reappointed as Deputy Chairman of the Dallas Bank for the calendar year 1961. (See minutes of December 20, 1960.)

The meeting then adjourned.

11/21/60

-9-

Secretary's Note: In the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a memorandum from the Division of Bank Operations dated November 17, 1960, recommending an increase in the basic annual salary of Barbara J. Wrenn, Statistical Clerk in that Division, from \$4,670 to \$4,840, effective November 27, 1960.



Secretary



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

Item No. 1
11/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 21, 1960

Board of Directors,
Bankers Trust Company,
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by the Bankers Trust Company, New York, New York, of a branch at 101 West 66th Street, Borough of Manhattan, New York, New York. This approval is given provided the branch is established within six months 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
11/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 21, 1960

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

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 351 East 148th Street and 531 Courtlandt Avenue, Bronx, New York, by The Chase Manhattan Bank, provided the branch is established within six months 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. 3
11/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 21, 1960



Board of Directors,
First Trust & Deposit Company,
Syracuse, 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 Store 16A, in the Shop City Shopping Center, Town of Salina, New York, by First Trust & Deposit Company, Syracuse, New York, provided the branch is established within six months 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. 4
11/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 21, 1960

Board of Directors,
Union Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Union Bank, Los Angeles, California, on the southwest corner of Wilshire Boulevard and Western Avenue, Los Angeles, California, provided the branch is established within 18 months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.