

Minutes for December 16, 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

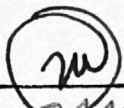


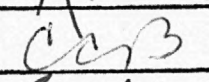
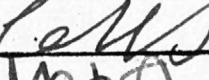
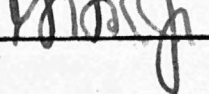
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King



Minutes of the Board of Governors of the Federal Reserve System on  
Friday, December 16, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Miss Carmichael, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Young, Adviser to the Board  
Mr. Noyes, Director, Division of  
Research and Statistics  
Mr. Koch, Adviser, Division of  
Research and Statistics  
Mr. Yager, Economist, Government  
Finance Section, Division of  
Research and Statistics

Money market review. Mr. Yager reported on the Government securities market and Mr. Thomas commented on developments in the fields of bank credit, the money supply, and bank reserves.

The meeting then recessed in order that the members of the Board might attend a Christmas musical program for Board employees. At the conclusion of the program the meeting reconvened in the Board Room, at which time Messrs. Balderston, Mills, Robertson, Shepardson, and King were present, along with Mr. Sherman, Miss Carmichael, and the following members of the staff:

Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of  
Examinations  
Mr. O'Connell, Assistant General Counsel  
Mr. Hooff, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division  
of Examinations  
Mr. Goodman, Assistant Director, Division  
of Examinations  
Miss Hart, Assistant Counsel



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Continental Bank case. Mr. O'Connell reported that, pursuant to discussion at the Board meeting on December 8, 1960, the services of Mr. Bolling R. Powell, Jr., had been retained in connection with the motions filed by The Continental Bank and Trust Company, Salt Lake City, Utah, against the Board of Governors in the District Court for the District of Columbia. Subsequently, Mr. Powell, in association with Mr. O'Connell, prepared the necessary pleadings, which consisted of (1) a motion to extend the Board's time to oppose the plaintiff's motion for summary judgment, together with supporting brief and order, and (2) a motion to dismiss Continental's complaint for lack of jurisdiction and failure to state a claim upon which relief could be granted, along with a memorandum of points of authority. The pleadings were ultimately cleared and approved by the Department of Justice and were filed in the District Court by that Department's representative on December 15, 1960. This was within the time allotted for the filing of the pleadings and accordingly it was not necessary to request an extension of time to respond to the original complaint.

Mr. O'Connell indicated that copies of the material filed with the court would be available for distribution to members of the Board early next week. He added that oral argument on the motion for extension of time in which to oppose Continental's motion for summary judgment would probably be held on December 21, and that the Board would be advised of developments.



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Mr. O'Connell then withdrew from the meeting.

Discount rates. The establishment without change by the Federal Reserve Banks of New York and Philadelphia on December 15, 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:

Item No.

- |   |   |
|---|---|
| Letter to The Marine Trust Company of Western New York, Buffalo, New York, approving the establishment of a branch at 40 Pine Street, Lockport, New York, for a temporary period. | 1 |
| Letter to American State Bank, Great Bend, Kansas, approving the establishment of a branch at 2221 Broadway.  | 2 |
| Letter to The First National Bank of Odessa, Odessa, Texas, approving its application for fiduciary powers.   | 3 |
| Letter to Coast Bank, Long Beach, California, approving the establishment of a branch at 9836 Garden Grove Boulevard, Garden Grove, Orange County.                                | 4 |
| Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Hialeah, Florida.                                | 5 |
| Letter to the Presidents of all Federal Reserve Banks regarding distribution of the new publication, "Published Interpretations of the Board of Governors."                       | 6 |



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Report on competitive factors (Orleans--Burlington, Vermont). A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Central Savings Bank and Trust Company, Orleans, Vermont, by The Howard National Bank and Trust Company of Burlington, Burlington, Vermont, had been distributed under date of December 14, 1960. The report concluded as follows:

The proposed transaction will not affect the competitive situation in the immediate Burlington area. However, it will eliminate a small competing bank in Orleans County and the competition that exists with the Barton branch of The Howard National Bank and Trust Company, thus enhancing the competitive position of the latter in the immediate areas of Orleans and Barton.

No objection being indicated, the report was approved unanimously for transmittal to the Comptroller of the Currency.

Merger of Wachovia Bank and Trust Company and Commercial National Bank of Kinston (Item No. 7). There had been distributed a memorandum from the Division of Examinations dated December 5, 1960, regarding an application of Wachovia Bank and Trust Company, Winston-Salem, North Carolina, for permission to merge with Commercial National Bank of Kinston, Kinston, North Carolina, and to operate the present offices of the merged bank as branches of Wachovia Bank and Trust Company. Both the Division of Examinations and the Federal Reserve Bank of Richmond recommended approval of the application.



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Also distributed was a memorandum from the Legal Division dated December 13, 1960, which pointed out that the proposed letter to Wachovia Bank and Trust Company consenting to the absorption by merger of Commercial National Bank of Kinston contained the statement that the Board "also approves the operation of branches" by Wachovia at the present offices of Commercial National Bank. This differed from the language used in previous letters in similar cases which gave the applicant permission to "establish" branches at existing locations.

As pointed out in the memorandum, the Board's form (F.R. 70) used in connection with mergers covers the establishment of a branch or branches under section 9 of the Federal Reserve Act. The United States Court of Appeals decision of April 28, 1960, in the case of Old Kent Bank and Trust Company held that a "State bank does not 'establish any new branch' when it retains the branches it has acquired by merger." It would seem inappropriate, therefore, to approve the "establishment" of branches in similar cases pursuant to section 9 of the Federal Reserve Act. Accordingly, it had been suggested that the Board approve the "operation" by Wachovia Bank and Trust Company of the present offices of Commercial National Bank of Kinston.

Mr. Hackley commented on the proposed change of wording in the letter and indicated that he felt it should be made in view of the decision in the Old Kent case. Mr. Nelson stated that, if the language in the proposed letter were approved by the Board, Form F.R. 70 should be revised accordingly.



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A brief discussion followed during which Mr. Solomon expressed agreement with the proposed change in language and the amendment of Form F.R. 70. Having in mind the general uniformity of bank merger forms used by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, Mr. Solomon suggested the advisability of informing the other Federal bank supervisory agencies of the contemplated change in the Board's form.

Unanimous approval was then given to a letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, consenting to the merger of Commercial National Bank of Kinston, Kinston, North Carolina, into and under the charter and title of Wachovia, and to the operation of branches at the present offices of Commercial National Bank. A copy of the letter is attached as Item No. 7. It was understood that Form F.R. 70 would be revised in line with the discussion.

At this point Mr. Hexter, Assistant General Counsel, entered the room.

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

Item No.

8

Letter to Security Bank, Lincoln Park, Michigan, consenting to its proposed merger with The Peoples State Bank, New Boston, Michigan, and approving a branch in New Boston.



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	<u>Item No.</u>
Notice of Request for Determination and Order for Hearing Thereon with respect to the request of Montana Shares Incorporated, Havre, Montana, for a determination under the Bank Holding Company Act relative to Montana Agencies and the Liberty Corporation. <u>1/</u>	9
Letter to James E. Cross, Esq., Los Angeles, California, regarding an interpretation of the Bank Holding Company Act of 1956.	10
Letter to The Chase Manhattan Bank, New York, New York, granting permission (1) to increase its investment in Chase Manhattan Overseas Corporation from \$1,500,000 to \$2,000,000, and (2) for the latter to purchase stock of a proposed Bahamian trust company.	11
Letter to the Federal Reserve Bank of Philadelphia with respect to an arrangement between Girard Trust Corn Exchange Bank of Philadelphia, Pennsylvania, and City National Bank of Winston-Salem, North Carolina, in connection with the collection of checks on banks charging exchange.	12
Letter to the Presidents of all Federal Reserve Banks regarding the restrictive effect of paragraph 6, section 9, Federal Reserve Act, and section 5199(b), U. S. Revised Statutes, on the payment of dividends by State member banks.	13

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on December 15, 1960, the following items relating to the Board's staff:

- 1/ The hearing arrangements referred to by the Legal Division in its memorandum on this subject included the use of Edward H. McMahan as Hearing Examiner and John Olin as Board Counsel.



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Salary increase

Richard B. Friedman, Assistant Federal Reserve Examiner, Division of Examinations, from \$6,180 to \$6,435 per annum, effective January 8, 1961.

Transfer

Ruth Logue from the position of Economist in the European Section to the position of Economist in the International Financial Operations Section, Division of International Finance, with no change in her basic annual salary at the rate of \$9,475, effective January 8, 1961.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from Mr. Hostrup, Assistant Director, Division of Examinations, requesting permission to serve as secretary-treasurer of a community bowling league.

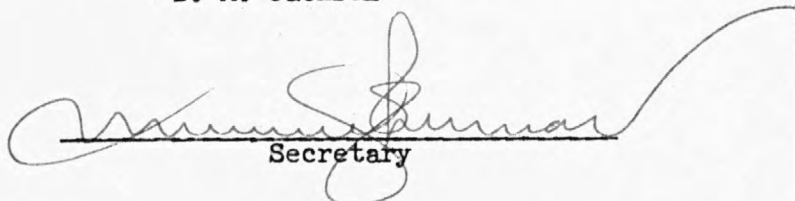
Letters to the following Federal Reserve Banks (attached Items 14, 15, 16, and 17) approving the appointments of the persons indicated as assistant examiners:

New York	Frank J. Galan
Philadelphia	Nicholas J. D'Antonio
Chicago	Robert W. Bottom
St. Louis	John A. Meyer

No. 18) Letter to the Federal Reserve Bank of Philadelphia (attached Item approving the appointment of J. Donald Murray as examiner.

Letters to the Federal Reserve Banks of Cleveland and San Francisco (attached Items 19 and 20) approving the designation of the following persons as special assistant examiners:

Cleveland	Donald G. Benjamin
San Francisco	L. G. Hogan
	V. D. Huber
	W. C. Reuling
	D. M. Jackson

  
Secretary



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

Item No. 1  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



Board of Directors,  
The Marine Trust Company of  
Western New York,  
Buffalo, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch at 40 Pine Street, Lockport, New York, by The Marine Trust Company of Western New York. This approval is for a temporary period of approximately one year, during which time a major renovation program will be completed on the branch premises located at 50 Main Street, Lockport, 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  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



Board of Directors,  
American State Bank,  
Great Bend, Kansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors approves the establishment of a branch at 2221 Broadway, Great Bend, Kansas, by American State Bank, Great Bend, Kansas. This approval is given provided the branch is established by August 1, 1961.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 3  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



Board of Directors,  
The First National Bank  
of Odessa,  
Odessa, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Odessa 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 Texas. 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. 4  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960

Board of Directors,  
Coast Bank,  
Long Beach, 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 at 9836 Garden Grove Boulevard, Garden Grove, Orange County, California, by Coast 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. 5  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



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

Attention Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 2, 1959, enclosing copies of an application to organize a national bank at Hialeah, Florida, 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 Atlanta indicates that the proposed capital structure of the bank would be adequate and its future earnings prospects fairly satisfactory. However, according to the information available arrangements have not been made for satisfactory management and it does not appear that a sufficient need exists for the bank at this time. Accordingly, the Board of Governors does not feel justified in recommending approval of the application.

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

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 6  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960.

Dear Sir:

Within the next few weeks it is anticipated that there will be available for distribution a compilation of "Published Interpretations of the Board of Governors." This publication will in effect bring up to date the edition of the Digest of Rulings published by the Board in 1937. However, the new publication will include only published interpretations of the Board that are currently in effect and have some present significance or importance.

It is contemplated that 10,000 copies will be printed at this time. All copies will be in loose-leaf form and will be accompanied by binders furnished by the Board. New pages for insertion in the publication will be printed at least once each year but oftener if considered necessary.

One complimentary copy, including binder, will be furnished to each member bank, and it would seem desirable that such complimentary copies be sent by each Federal Reserve Bank to its own member banks. Additional copies will be furnished, upon request, to member banks and to the public at a charge of \$2.50 a copy. A notice to this effect will be published in the Federal Reserve Bulletin nearer the time copies will be available for distribution. Also, complimentary copies will be sent by the Board to members of the Banking and Currency Committees, to the Congress, to the members of the Joint Economic Committee, and to certain Government officials; and copies will be furnished without charge, upon request, to members of Congress, Government officials (Federal and State), libraries of educational institutions, foreign central banks and governments, and the press. The Board will also have copies available for sale to the public.

No mailing list will be maintained for the distribution of new pages. Whenever new pages for insertion in the publication are printed in the future, an announcement to that effect will be published in the Federal Reserve Bulletin. Prior to publication of new pages, the Board will ask the Federal Reserve Banks the number required for their use and member bank distribution.

When sending complimentary copies of the new publication to its member banks, each Reserve Bank may wish at the same time to address a circular letter to its member banks advising them of the distribution policy and the plan for future publication of new pages.





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It will be appreciated if you will advise the Board of the number of copies of the publication that your Bank will expect to need for the use of your officials and staff and for free distribution to member banks. All such copies, separately packaged, will be shipped to your Bank directly from the printer. In view of the limited number of copies that will be available, it is suggested that you limit your request to a minimum consistent with your anticipated needs over the next two years.

Very truly yours,

A large, stylized handwritten signature in dark ink, appearing to read 'Merritt Sherman', is written over the typed name and title.

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



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

Item No. 7  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



December 16, 1960

Board of Directors,  
Wachovia Bank and Trust Company,  
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, finds the transaction to be in the public interest and grants its consent to the merger of Commercial National Bank of Kinston, Kinston, North Carolina, into and under the charter and title of Wachovia Bank and Trust Company, Winston-Salem, North Carolina. The Board of Governors also approves the operation of branches by Wachovia Bank and Trust Company at the following locations of the present offices of Commercial National Bank of Kinston, Kinston, North Carolina:

Kinston Office, 101 North Queen Street, Kinston, North Carolina  
Parkview Office, 104 West Highland Avenue, Kinston, North Carolina  
West Vernon Avenue Office, 806 West Vernon Avenue, Kinston,  
North Carolina  
Morehead City Office, 805 Arendell Street, Morehead City,  
North Carolina  
Sea Level Office, Highway #70, Sea Level, North Carolina

This approval is given provided (1) the transactions are effected substantially in accordance with an "Agreement and Plan of Merger of Commercial National Bank of Kinston into Wachovia Bank and Trust Company" copies of which were submitted as a part of certified copies of the minutes of the respective special meetings of shareholders of the parties to the merger held on October 14, 1960, and the transaction is consummated within six months from the date of this letter, and (2) that shares of stock acquired from dissenting stockholders are disposed of within six months from date of acquisition.

Very truly yours,

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 8  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



Board of Directors,  
Security Bank,  
Lincoln Park, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all the factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, and finding the transaction to be in the public interest, hereby consents to the merger of The Peoples State Bank, New Boston, Michigan, with and into Security Bank, Lincoln Park, Michigan, under the charter and title of Security Bank, Lincoln Park, Michigan. The Board of Governors also approves the establishment of a branch by Security Bank at the present location of The Peoples State Bank, New Boston, Michigan.

This approval is given provided (1) the proposed merger and establishment of the branch are effected within six months from the date of this letter and substantially in accordance with the consolidation agreement dated August 19, 1960, and (2) shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
NOTICE OF REQUEST FOR DETERMINATION  
PURSUANT TO SECTION 4(c)(6) OF  
BANK HOLDING COMPANY ACT OF 1956 AND  
ORDER FOR HEARING THEREON

Item No. 9  
12/16/60

Notice is hereby given that request has been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 [12 U.S.C. 1843] and section 5(b) of the Board's Regulation Y [12 CFR 222.5(b)] by Montana Shares Incorporated, Havre, Montana, a bank holding company, for a determination by said Board that the activities of its subsidiaries, Montana Agencies and Liberty Corporation, are of the kind described in the aforementioned sections of the Act and the Regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to ownership of shares in nonbanking organizations to apply.

Inasmuch as section 4(c)(6) of the Act requires that any determination pursuant thereto be made by the Board after due notice and hearing and on the basis of the record made at such hearing,



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IT IS HEREBY ORDERED That pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with sections 5(b) and 7(a) of the Board's Regulation Y [12 CFR 222.5(b), 222.7(a)], a hearing with respect to this matter be held commencing on January 24, 1961, at 10:00 a.m., at the offices of the Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota, before a duly selected hearing officer, such hearing to be conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 CFR Part 263]. The right is reserved to the Board or such hearing officer to designate any other date or place for such hearing or any part thereof which may be determined to be necessary or appropriate for the convenience of the parties. The Board's Rules of Practice for Formal Hearings provide, in part, that "All such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public."



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Any person desiring to give testimony in this proceeding should file with the Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C., on or before January 16, 1961, a written request containing a statement of the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be presented to the hearing officer, and persons submitting requests will be notified of the hearing officer's decision.

Dated at Washington, D. C., this 16th day of December, 1960.

By order of the Board of Governors.

(Signed) Merritt Sherman  
\_\_\_\_\_  
Merritt Sherman,  
Secretary.

(SEAL)



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

Item No. 10  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



James E. Cross, Esq.,  
O'Melveny & Myers,  
433 South Spring Street,  
Los Angeles 13, California.

Dear Mr. Cross:

This refers to your letter of December 8, 1960, addressed to the Federal Reserve Bank of San Francisco, requesting the Board's opinion regarding an interpretation of the Bank Holding Company Act of 1956.

It is understood that your client, a Delaware corporation, presently owns a majority interest in one bank as defined in section 2(c) of the Bank Holding Company Act and that it now desires to acquire more than 25 per cent of the voting shares of a bank to be organized and located in the Bahama Islands under a charter granted by the British Government. You request to be advised whether such new bank would constitute a "bank" within the meaning of the Bank Holding Company Act, so as to constitute your client a "bank holding company".

Assuming that the new bank in the Bahama Islands will not do business in the United States, it is the Board's opinion that it would not constitute a "bank" as defined in section 2(c) of the Act. This conclusion is supported by paragraph (8) of section 4(c) of the Act, which exempts from the prohibition against the acquisition by bank holding companies of stock in nonbanking organizations "any company which is organized under the laws of a foreign country and which is engaged principally in the banking business outside the United States."

Your letter does not indicate whether the bank presently controlled by your client is a member bank of the Federal Reserve System. If that bank is a member of the System, it may be noted that your client would constitute a "holding company affiliate" within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a), and consequently would be subject to the voting permit requirements of section 5144 of the United States Revised Statutes (12 U.S.C. 61), unless exempted from the category of "holding company affiliate" pursuant to the last paragraph of the above-mentioned section 2(c).

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 11  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960.



The Chase Manhattan Bank,  
Eighteen Pine Street,  
New York 15, New York.

Gentlemen:

In accordance with your request and on the basis of the information furnished in your letter of October 27, 1960, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants permission to The Chase Manhattan Bank, New York, New York, pursuant to the provisions of Sections 9 and 25 of the Federal Reserve Act, to increase from \$1,500,000 to \$2,000,000 the amount it may invest in the stock of Chase Manhattan Overseas Corporation ("CMOC"), New York, New York.

The Board of Governors also grants permission for CMOC to purchase and hold the stock of "The Chase Manhattan Trust Corporation Limited," a trust company to be organized under the laws of the Bahamas and to be located in Nassau, Bahamas, such stock to be acquired at a cost of approximately US\$500,000 within one year from the date of this letter.

It is understood that all of the stock, except possibly for directors' qualifying shares, will be owned by CMOC.

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

- (1) That CMOC 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 CMOC, with the consent of the Board of Governors, may purchase and hold stock under (a) its agreement entered into under Section 25 of the Federal Reserve Act or (b) 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 CMOC without such consent;



The Chase Manhattan Bank

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- (2) That when required by the Board of Governors, CMOC 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;
- (3) That CMOC 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 (a) the agreement of CMOC under Section 25 of the Federal Reserve Act or (b) Regulation K or (c) 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 Chase Manhattan Bank.

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.

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. 12  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960

Mr. Robert N. Hilkert, First Vice President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Hilkert:

This refers to your letter of October 7, 1960, presenting questions with respect to an arrangement between Girard Trust Corn Exchange Bank of Philadelphia and City National Bank of Winston-Salem, North Carolina, in connection with the collection of checks on banks charging exchange.

It is noted that the Winston-Salem bank has been routing these checks directly through a nonmember bank, First Citizens Bank of Smithfield, North Carolina. The latter credits the amount of these checks to Girard at par with no deductions for exchange charges and Girard credits an equivalent amount to the Winston-Salem bank's account with Girard. As compensation for this service, the Winston-Salem bank carries a balance with the nonmember bank. However, section 19 of the Federal Reserve Act limits the size of this balance and an arrangement was entered into between the Winston-Salem bank and Girard whereby a substantial deposit account is maintained with Girard which in turn keeps a substantial but slightly lesser amount on deposit with the Smithfield bank.

It is understood that since the Board's interpretation of August 1960 with respect to the absorption of exchange charges, the Winston-Salem bank has been debiting its depositors with the exchange charges although continuing collections directly through the Smithfield bank, and maintaining the same arrangement for balances in the Smithfield and Philadelphia banks and credits to its account with Girard. This procedure does not conflict with the Board's interpretation insofar as the Winston-Salem bank is concerned.

The primary question is whether this arrangement violates the Board's interpretation of August 1960 insofar as Girard Trust Corn Exchange Bank is involved. The answer depends upon whether Girard is, in effect, giving full credit on items to its depositor, the Winston-Salem bank, upon which exchange has been charged.



## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Robert N. Hilkert

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The Winston-Salem bank is a depositor of Girard for the purpose of receiving full credit on these checks. As a depositor of Girard, the latter must, in accordance with the Board's August 1960 interpretation, deduct the exchange charges on checks to which it is a collecting party. For convenience, the checks are not routed through Girard, but this does not mean that Girard is not an essential part of the arrangement for collection of the checks at par. The receipt of full credit on nonpar items is the intent and any part of the process which results in a member bank (Girard) giving credit to a depositor (the Winston-Salem bank) without deducting exchange charges would not be in accordance with the August 1960 interpretation. Accordingly, it is the Board's conclusion that Girard Trust Corn Exchange Bank should not be a party to this arrangement.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.





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

S-1772

Item No. 13  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Dear Sir:

Recently cases have arisen in which dividends were paid improperly in violation of paragraph 6, section 9, Federal Reserve Act, and section 5199(b), U. S. Revised Statutes (12 U.S.C. 60), indicating that member State banks may not be as fully aware of the restrictive effect of this relatively new law and its applicability to them as would be desirable.

As you know, the Act of September 8, 1959, amended these sections so that the approval of the Board of Governors is required if the total of all dividends declared by a member State bank in any calendar year shall "exceed the total of its net profits of that year combined with its retained net profits of the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock."

The law became effective September 8, 1959. Hence, in respect to dividends paid in 1959, consideration must be given to the amount of retained net profits for the years 1957 and 1958. For dividends paid or proposed to be paid in 1960, the retained net profits for the years 1958 and 1959 would be considered in combination with the net profits of 1960.

If it is your view that member State banks in your district are not generally informed of this law, you may consider it desirable to circularize them about its provisions. In lieu of this, a review could be made of earnings and dividends reports of the years noted above to determine whether any banks might be likely to make improper payments through failure to understand the requirements of the law and their applicability to them. In such cases the banks could be reminded of the provisions of the law and the need for obtaining the Board's approval.

It would also be desirable that examiners be fully informed of the provisions of R.S. 5199(b) so they will be prepared to cover such situations.

Very truly yours,

Merritt Sherman  
Secretary.



BOARD OF GOVERNORS  
OF THE  
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WASHINGTON 25, D. C.

Item No. 14  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1960

CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of December 7, 1960, the Board approves the appointment of Frank J. Galan as an assistant examiner for the Federal Reserve Bank of New York, effective today.

It is noted that Mr. Galan is indebted to Community Bank of Linden, Linden, New Jersey, a nonmember bank, in the amount of \$500, and to The First State Bank of Union, Union, New Jersey, a nonmember bank, in the amount of \$560. It is further noted that Mr. Galan owns 17 shares of Community Bank of Linden and 20 shares of State Bank of Rahway, Rahway, New Jersey, a nonmember bank. Accordingly, the Board's approval of Mr. Galan's appointment is given with the understanding that he will not participate in the examination of any bank to which indebted or in which he owns stock.

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. 15  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960

CONFIDENTIAL (FR)

Mr. Joseph R. Campbell, Vice President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of December 13, 1960, the Board approves the appointment of Nicholas J. D'Antonio as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise us of the effective date of the appointment.

It is noted that Mr. D'Antonio is indebted to Provident Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania, a State member bank, in the amount of \$455.20. Accordingly, the Board's approval of Mr. D'Antonio's appointment is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.





BOARD OF GOVERNORS  
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WASHINGTON 25, D. C.

Item No. 16  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960

CONFIDENTIAL (FR)

Mr. Hugh J. Helmer, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of December 9, 1960, the Board approves the appointment of Robert W. Bottom as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date of the appointment.

It is noted that Mr. Bottom is indebted to Decatur County National Bank of Greensburg, Greensburg, Indiana, on two notes totaling \$2,400. Accordingly, the Board's approval of Mr. Bottom's appointment is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
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WASHINGTON 25, D. C.

Item No. 17  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1960

CONFIDENTIAL (FR)

Mr. Geo. E. Kroner, Vice President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter of December 9, 1960, the Board approves the appointment of John A. Meyer as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us of the effective date of the appointment.

It is noted that Mr. Meyer's father is president and director of Bank of Memphis, Memphis, Missouri, a State member bank. Accordingly, the Board's approval of Mr. Meyer's appointment is given with the understanding that he will not participate in any examination of Bank of Memphis as long as his father is an officer or director of that institution.

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. 18  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 19, 1960

Mr. Joseph R. Campbell, Vice President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of December 5, 1960, the Board approves the appointment of J. Donald Murray, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Philadelphia. Please advise us if the appointment is not made effective January 1, 1961, as planned.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.





BOARD OF GOVERNORS  
OF THE  
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WASHINGTON 25, D. C.

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Item No. 19  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960

CONFIDENTIAL (FR)

Mr. G. T. Quast, Chief Examiner,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Quast:

In accordance with the request contained in your letter of December 8, 1960, the Board approves the designation of Donald G. Benjamin as a special assistant examiner for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of banks except The Union Commerce Bank, Cleveland, Ohio. The authorization heretofore given your Bank to designate Mr. Benjamin as a special assistant examiner is hereby cancelled.

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. 20  
12/16/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 16, 1960



CONFIDENTIAL (FR)

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 December 8, 1960, the Board approves the designation of L. G. Hogan, V. D. Huber, and W. C. Reuling as special assistant examiners for the Federal Reserve Bank of San Francisco.

The Board also approves the designation of D. M. Jackson as a special assistant examiner for the Federal Reserve Bank of San Francisco for the purpose of participating in the examination of banks except The Continental Bank and Trust Company, Salt Lake City, Utah.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.