

Minutes for December 21, 1960

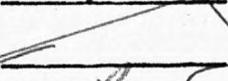
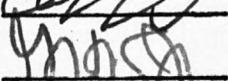
To: Members of the Board

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></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on
Wednesday, December 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. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Shay, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Kelleher, Director, Division of
Administrative Services
Mr. Harris, Coordinator, Office of Defense
Planning
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Smith, Legal Assistant, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on December 19, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Items circulated 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:

12/21/60

Item No.

Letters to the Federal Reserve Banks of Boston, New York, and Philadelphia relating to a call for reports of condition as of December 31, 1960, from foreign banking and foreign financing corporations. (With the understanding that these letters and the letters to the respective corporations would be sent after January 1, 1961.)	1-3
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Letter to The Bank of Salem, Salem, Virginia, approving the establishment of a branch in Roanoke County.	4
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Letter to the Department of Justice regarding the suits brought against the Board by Old Kent Bank and Trust Company and Wachovia Bank and Trust Company.	5
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Letter to the American Telephone and Telegraph Company authorizing that company to proceed with expansion of the Federal Reserve Leased Wire System. (The approval of this letter reflected concurrence by the Board in an action taken by the Conference of Presidents of the Federal Reserve Banks, as reported at the meeting of the Board and the Presidents on December 13, 1960. Copies of the letter were sent to the Federal Reserve Banks for their information.)	6
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Mr. Kelleher then withdrew from the meeting.

Request of Marine Midland Trust Company for a ruling under the Bank Holding Company Act (Item No. 7). There had been distributed a memorandum from the Legal Division dated December 19, 1960, regarding a request from Marine Midland Trust Company of New York, New York City, a subsidiary bank of Marine Midland Corporation, for a ruling as to whether its acquisition of the stock of a corporation to be formed to acquire the leasehold of the entire building at 250 Park Avenue in New York City

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would fall within the provisions of section 4(c)(1) of the Bank Holding Company Act. Section 4(a) of the Act prohibits direct or indirect ownership or control by a bank holding company of stock of nonbanking organizations, but section 4(c)(1) exempts from this prohibition "shares owned or acquired by a bank holding company in any company engaged solely in holding or operating properties used wholly or substantially by any bank with respect to which it is a bank holding company in its operations or acquired for such future use..."

According to the memorandum, the proposed corporation would purchase the existing lease of the building and negotiate a new lease for the entire building for a term of 26 years, with options to renew for two additional periods of 21 years each. Marine Midland Trust Company's mid-town office, which had been located in the 250 Park Avenue building since 1944, occupied 2.5 per cent of the total rental space. All of the leases in the building, including that of Marine Midland Trust Company, were to expire by March 31, 1965. In view of the high degree of competition among the large New York City banks in the mid-town area, the bank wished to maintain its present competitive position in the area by assuring the availability of sufficient space for its operations, present and prospective. Marine Midland Trust Company conceded that its present rate of occupancy could not be termed "substantial" within the meaning of section 4(c)(1) of the Bank Holding Company Act. The question, therefore, was whether the bank could bring itself under the terms of the exception in this section on the basis of "future use."

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Marine Midland Trust Company indicated in its letter of November 14, 1960, to the Federal Reserve Bank of New York that at the present time it did not have concrete plans for future use of space in the building in excess of that now occupied. However, the Reserve Bank, in recommending approval of the acquisition, took the position that all that was required by section 4(c)(1) was that there be a "reasonable expectation of substantial future use." In support of this position, the New York Reserve Bank pointed out that the primary purpose of the divestment requirement of section 4 was to disassociate the management and control of banking activities from the management and control of nonbanking activities. The Reserve Bank felt it was clear that the proposed acquisition had as its purpose the protection of the competitive position of the subsidiary bank rather than an indirect entry into nonbanking activities.

As indicated in the memorandum, the subsidiary bank had stated that if by December 31, 1965, its use of the building was not substantial it would dispose of the proposed subsidiary. In the light of this indication, and the other circumstances involved, it could be argued that the Board would be justified in approving the acquisition of shares of the proposed bank premises subsidiary, while at the same time making it clear to Marine Midland Trust Company that the Board reserved the right to determine whether or not the bank's occupancy of the building was "substantial" by the end of 1965. On the other hand, it could be argued that section 4(c)(1) was not intended to allow a subsidiary of a bank

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holding company to control such a large nonbanking interest merely upon the vague expectation that at some future date the company in which such interest was acquired would be engaged solely in holding or operating properties used wholly or substantially by a bank in the holding company system. Two alternative drafts of reply were submitted with the memorandum, one taking the position that section 4(c)(1) was applicable and the other taking the opposite position.

In summarizing the Legal Division's memorandum, Mr. Hackley noted that there was a significant movement of large New York City banks into the mid-town area. Marine Midland Trust Company was anxious to preserve its competitive situation and to be able, if necessary, to move its head office to this area at some future date. It was, he thought, a matter of judgment as to whether the circumstances were such as to justify the conclusion that the proposed corporation would be acquiring the lease of the building for the future substantial use of Marine Midland Trust Company. He and Mr. Smith were inclined toward the position that section 4(c)(1) was applicable. However, Mr. Hexter held a different view.

Mr. Hexter said that he was sympathetic to the position of Marine Midland Trust Company in this instance, because it appeared to be trapped by the language of the statute. In his opinion the Congress actually intended to permit a subsidiary bank of a bank holding company to hold stock of a bank premises subsidiary to the same extent as permitted by law to a bank that is not a part of a holding company system.

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In this connection, he brought out that the Comptroller of the Currency permits national banks to hold stock of a bank premises company even though the bank does not occupy a substantial part of the building owned by the company. However, since section 6(a)(1) of the Bank Holding Company Act provides that it shall be unlawful for a bank to invest any of its funds in the shares of any other subsidiary of a bank holding company of which the bank itself is a subsidiary, it would appear that Marine Midland Trust Company could not acquire the stock of the proposed bank premises company unless that would fall within the exemption provided in section 4(c)(1). While the Board had recommended an amendment of the Bank Holding Company Act to the Congress, the legislative history of the statute in its present form indicated that Congress intended to confine exemptions under section 4(c)(1) to cases involving substantial occupancy or acquisition for future substantial occupancy. In the case under consideration, the present rate of occupancy of the building by the bank was not substantial, and there were no definite plans for extension of the present rate of occupancy. True, the bank had stated that if within five years it did not substantially occupy the building, steps would be taken to dispose of the stock of the bank premises subsidiary. However, this would simply amount to postponing a decision on the matter for five years. The term substantial future occupancy, as used in the statute, appeared to contemplate circumstances such as the acquisition of an adjacent building into which a bank definitely planned to move its offices.

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Chairman Martin then raised a question as to the purpose of the statutory provisions from the standpoint of the public interest, and Mr. Hackley replied that the basic purpose of section 4 was to prevent holding companies from having both banking and nonbanking interests, which in certain circumstances might lead to serious abuses. However, in order to exempt situations clearly not resulting in such abuses, section 4(c) provided a number of exceptions. The exemption in section 4(c)(1) was intended to permit subsidiary banks to continue to invest in stock of bank premises companies under certain conditions. Originally, the then proposed statute contained the words "used wholly or in part." Largely at the Board's suggestion, however, the words "in part" were changed to "substantially." The exemption was not limited to present use, but referred also to future use, and in such cases it might be difficult to avoid a certain amount of guesswork.

Mr. Hexter commented that he thought no one would argue that the proposed transaction was against the public interest, as that term is used in its broad sense. The conflict here related to the unfortunate fitting together of certain provisions of the Bank Holding Company Act. In his (Mr. Hexter's) judgment, the public interest would favor permitting a transaction such as the one under consideration, but as he saw it the transaction was prohibited by the statute.

In response to a question, Mr. Hexter verified that the subsidiary bank could acquire the property directly if it wished to do so. However,

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the bank did not want to have the large resulting indebtedness appear on its books. He understood, also, that an additional alternative arrangement appeared to be available, and that it probably would be explored further if the Board ruled adversely on the present proposal.

Governor Mills stated that in his opinion the Board would have reasonable grounds for not construing section 4(c)(1) of the Bank Holding Company Act too narrowly. The fact that the transaction would give Marine Midland Trust Company leasehold control of property whose use went beyond the present need for banking quarters seemed merely incidental to the bank's actual intentions, which involved a desire to assure itself of banking facilities in order to continue to serve its clientele. On the basis of that reasoning, he did not feel that the Board would be establishing an undesirable precedent or that it would do violence to the intent of the statute by taking the position that section 4(c)(1) was applicable in this case.

After further discussion as to what might be considered substantial occupancy, during which reference was made to a case in which the Board had held in effect that the occupancy of 24 per cent of the space in a building by a subsidiary bank might be regarded as substantial, Governor Mills again expressed the view that the extent of use of a property for banking purposes in relation to its use for other purposes was incidental to the important question of retaining control of banking premises.

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Governor Robertson indicated that he was less concerned about the present case than about the precedent that might be established if the Board approved the proposed transaction. In this case the present rate of occupancy was very small and there were no definite plans for enlarging that occupancy; even though some enlargement occurred, the rate of occupancy at the end of five years might still be relatively small and continue to present a question. In these circumstances, he was of the opinion that the safest course would be to approve the alternative draft of reply which would indicate that section 4(c)(1) of the Bank Holding Company Act did not seem to be applicable. The bank could, if it desired, purchase the leasehold directly, so it would not be hurt too much by an adverse ruling, although it might have to show a liability on its books that it did not care to show. On the other hand, the difficulties that could be created in the future by taking any other position were very real, he thought.

Governor Shepardson expressed a preference for the first alternative draft based on the prospect of future substantial use. He pointed out that as the letter was drafted it stated that 2.5 per cent occupancy would not be considered substantial. The final decision would hinge on the question of substantial occupancy in the future, which would be determined at a later date.

Governor Szymczak said that he would also prefer the first alternative draft and indicated that he thought it would be going too

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far to construe the language of the statute too rigidly in these particular circumstances.

Governor Balderston and Chairman Martin also indicated that they would favor this draft. Chairman Martin said he agreed with Governor Robertson that in a sense the safest course might be to indicate that the proposed transaction was not covered by section 4(c)(1). In his opinion, however, this would not necessarily be the safest position from the standpoint of the public interest, which he thought was the important factor to be considered. In cases of this kind, it seemed to him advisable to take action on an ad hoc rather than on a uniform basis, even though he realized the difficulties and complications that might be involved.

Approval was then given to the letter to the Federal Reserve Bank of New York which expressed the opinion that the acquisition of stock of the proposed bank premises subsidiary by Marine Midland Trust Company would fall within the exemption provided in section 4(c)(1) of the Bank Holding Company Act, the right being reserved to determine whether occupancy of the building by the bank was substantial, within the meaning of section 4(c)(1), as of December 31, 1965. A copy of this letter is attached as Item No. 7. On this action Governor Robertson dissented for the reasons he had stated.

Messrs. Nelson, O'Connell, and Smith then withdrew from the meeting.

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Single issue of Federal Reserve notes (Item No. 8). Pursuant to discussion at the Board meeting on December 20, 1960, there had been distributed a draft of a revised final paragraph in the proposed reply to the following question included in a letter dated June 10, 1960, from Chairman Hardy of the Foreign Operations and Monetary Affairs Subcommittee of the House Committee on Government Operations:

Whether it would not be of economic advantage to the Treasury and the Federal Reserve System to reduce the varieties of United States currency, in particular through replacing the twelve issues of Federal Reserve notes with one central issue.

As revised, the final paragraph stated:

After considering carefully the various factors involved, the Board is inclined toward the view that it would be undesirable to make any change in the present form of Federal Reserve notes unless such a change were a part of a general program for simplifying the currency structure of the United States. One factor leading to this position is a belief that a change at this time in the procedure for issuing and redeeming Federal Reserve notes might be misconstrued as being related to the gold problem and in this light diminish confidence in our currency.

Governor Mills stated that, with a minor modification, he would have been more content with the language of the paragraph before it was revised. He felt that the final paragraph considered at the December 20 meeting would have constituted a positive position on the part of the Board that would be contrary to any change in the issuance of Federal Reserve notes that would eliminate the different Reserve Bank symbols. In any event, however, he wished to raise a question as to the inclusion

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of the last sentence in the final paragraph. He doubted that this sentence was relevant to the problem or that it would add anything to the position proposed to be taken by the Board.

Governor Robertson stated that he could go along with the final paragraph, as revised, and that he did not have any particular feeling on whether the last sentence was included or omitted.

After other members of the Board indicated that they would be agreeable to the omission of the last sentence, the report was approved subject to that change. A copy of the letter sent to Chairman Hardy pursuant to this action is attached as Item No. 8.

During the foregoing discussion Mr. Molony, Assistant to the Board, entered the room and at its conclusion Mr. Shay withdrew.

Treasury emergency banking regulation (Item No. 9). With a letter to the Board dated December 2, 1960, Under Secretary of the Treasury Scribner transmitted copies of (1) the Treasury's proposed emergency banking regulation, (2) a statement by the Secretary of the Treasury which would accompany copies of the regulation sent to banking institutions, and (3) a contingent amendment to the regulation that would be issued under certain emergency conditions. Mr. Scribner inquired whether there were any objections to the documents.

In a memorandum dated December 20, 1960, from Mr. Harris, which had been distributed, it was recommended that the Board (1) offer no objection to the substance of the documents; (2) concur in the issuance

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of the emergency banking regulation and accompanying statement; and
(3) suggest a minor change in the definition of "banking institution."

Mr. Harris commented on the documents, described the purposes of the emergency banking regulation, and noted that it represented a reconciliation of divergent views within the agencies concerned. He indicated that certain minor flaws in the drafting of the regulation would be taken up with the Treasury at the staff level if the Board concurred in the substance of the document. Mr. Harris further indicated that some of the language in the regulation was rather obscure and needed clarification. However, it was thought desirable to distribute the regulation to banking institutions so that they might be guided in their emergency plans and have an opportunity to submit suggestions.

Governor Robertson said he thought that the draft regulation represented a major step forward and that the Board could work with the proposed regulation satisfactorily.

Governor Balderston inquired whether appropriate representatives of the banking fraternity had been contacted regarding the proposed regulation, and Mr. Harris stated that in September of this year a regulation similar to the one now proposed was discussed at a meeting attended by representatives of the Board, the Comptroller of the Currency, and the three Federal Reserve Banks whose Presidents were members of the Presidents' Conference Committee on Emergency Operations. Messrs. Melvin C. Miller and G. Edward Cooper were also present as representatives

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of the American Bankers Association. At that time both Mr. Miller and Mr. Cooper were quite happy about the proposed regulation, with the possible exception of the psychological effect which might result if some distinction were not made between banks and other financial institutions. As a result of their views, the final paragraph of the proposed letter to Mr. Scribner would suggest a change in the definition of "banking institution." Mr. Harris reported that he had talked yesterday with Mr. Cooper, who thought he could go along with the proposed regulation. Copies of the regulation had also been sent to the three Federal Reserve Banks represented on the Emergency Operations Committee, but as yet no word had been received from them.

In response to a further question from Governor Balderston, Governor Robertson and Mr. Harris described the relationship of the emergency banking regulation to other parts of the total emergency planning program of the Government and stated reasons why the regulation could not become effective unless there should be an attack on the United States of such nature as to cause other parts of the program to be activated.

The Board then approved unanimously the proposed letter to Under Secretary of the Treasury Scribner, a copy of which is attached as Item No. 9.

All of the members of the staff except Messrs. Sherman and Fauver then withdrew from the meeting.

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Appointment of director. Mr. Morris B. Pendleton, President of Pendleton Tool Industries Incorporated, Los Angeles, California, having indicated that he would not accept appointment as director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco since he did not feel that he could resign as a director of the Federal Home Loan Bank of San Francisco, it was agreed to request the Chairman of the San Francisco Reserve Bank to ascertain whether Mr. S. Alfred Halgren, Vice President and Director of the Carnation Company, Los Angeles, would accept appointment as director of the Los Angeles Branch for the two-year term ending December 31, 1962, with the understanding that the appointment would be tendered if it were found that he would accept.

Secretary's Note: It having been ascertained that Mr. Halgren would accept, an appointment telegram was sent to him on December 22, 1960.

The meeting then adjourned.

Secretary's Notes: With the approval of Governor Shepardson, a letter was sent today over the signature of Chairman Martin to the United States Civil Service Commission furnishing, pursuant to the Commission's oral request, a listing of the position at the Board of Governors where the incumbent serves essentially full-time as the head of a public information office. The letter noted that it was not clear that the positions on the Board's staff were considered in the Executive Branch, but that the information requested was being submitted in the interest of completeness of the survey being made by the Commission.

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

Appointment

Donald O. Starr as Assistant Federal Reserve Examiner in the Division of Examinations, with basic annual salary at the rate of \$4,830, effective the date of entrance upon duty.

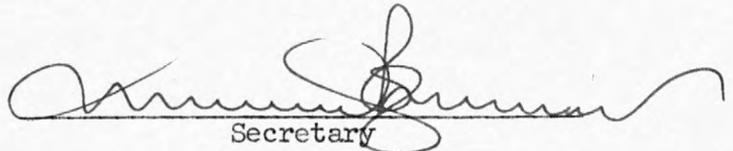
Transfer

Alma Davita Clift, from the position of Special Assistant Federal Reserve Examiner in the Division of Examinations to the position of Stenographer in that Division, with no change in her basic annual salary at the rate of \$4,675, effective January 3, 1961.

Salary increase

Robert H. Craft, from \$4,670 to \$4,840 per annum, with a change in title from Operator, Tabulating Equipment, to Operator (Trainee), Digital Computer Systems, Division of Administrative Services, effective December 25, 1960.

Governor Shepardson noted on behalf of the Board today a memorandum advising that application for retirement had been filed by Howard W. Stull, Chauffeur, Division of Administrative Services, effective at the close of business December 31, 1960.


Secretary

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

Item No. 1
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1961



Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

Enclosed is a copy of a letter dated today, addressed to Boston Overseas Financial Corporation, calling for a report of condition as of December 31, 1960. You will observe that the letter requests that the report called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the report it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the report. Please forward the original copy of the report to the Board and retain a copy for your files.

A complete review of the report will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 2
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1961



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

Dear Mr. Crosse:

Enclosed are copies of letters calling for reports of condition as of December 31, 1960, from the following foreign banking and foreign financing corporations in the Second District operating under the provisions of Section 25 and Section 25(a) of the Federal Reserve Act:

Bankers Company of New York
Chase Manhattan Overseas Corporation
International Banking Corporation
The Gallatin Company, Inc.
Virgin Islands National Bank
Bank of America
Bankers International Corporation
Bankers International Financing Company, Inc.
Chase International Investment Corporation
Chemical International Finance, Ltd.
The First Bank of Boston (International)
Morgan Guaranty International Banking Corporation
Morgan Guaranty International Finance Corporation

You will observe that the letters request that the reports called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the reports it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the reports. Please forward the original copy of the reports to the Board and retain a copy for your files.

A complete review of the reports will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

(Signed) Kenneth A. Kenyon
Kenneth A. Kenyon
Assistant Secretary.

Enclosures

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

Item No. 3
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1961



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

Dear Mr. Campbell:

Enclosed is a copy of a letter dated today, addressed to Philadelphia International Investment Corporation, calling for a report of condition as of December 31, 1960. You will observe that the letter requests that the report called for be submitted in duplicate to the Federal Reserve Bank for transmittal to the Board of Governors.

Upon receipt of the report it will be appreciated if you will have a proof made of the footings and obtain the correction of any obvious errors in the report. Please forward the original copy of the report to the Board and retain a copy for your files.

A complete review of the report will be made in the Board's Division of Examinations, and any correspondence which may be necessary as a result thereof will be initiated by the Board with a copy to you for your information.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 4
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1960



Board of Directors,
The Bank of Salem,
Salem, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment by The Bank of Salem, Salem, Virginia, of a branch just west of the intersection of Hershberger and Airport Roads, Roanoke County, Virginia, immediately adjacent to the Crossroads Shopping Center, 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
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1960



Mr. George Cochran Doub,
Assistant Attorney General,
United States Department of Justice,
Washington 25, D. C.

Re: Old Kent Bank and Trust Company v.
William McC. Martin, Jr., et al.
(U.S.D.C. D.C.), Civil Action No. 1993-58

Wachovia Bank and Trust Company v.
William McC. Martin, Jr., et al.
(U.S.D.C. D.C.), Civil Action No. 45-59

Your Refs: GCD:APV, 145-105-8; -10

Dear Mr. Doub:

Reference is made to your letters of November 30, 1960, relative to the above-entitled causes of action, advising that, as to the Old Kent Bank and Trust Company case, the Solicitor General has determined that no certiorari would be sought, and as to the Wachovia Bank and Trust Company case, requesting the Board's views on an appropriate course of disposition.

As suggested in your letter relative to the Wachovia Bank case, the Board continues in its view that this case parallels the Old Kent Bank case and that, accordingly, the decision of the United States Court of Appeals in the Old Kent Bank case is dispositive of the Wachovia Bank case. In view of the Court's decision that the Board's approval was not required for Old Kent Bank's "continued operation" of the banking offices in question, it would appear inappropriate in the Wachovia Bank case for the Board to "approve" the operation by Wachovia Bank of the two banking offices formerly operated by the Wilmington Savings and Trust Company.

However, the Board might appropriately advise Wachovia Bank that on the basis of the Court of Appeals' decision in the Old Kent Bank case, the Board's approval of Wachovia's continued operation of offices formerly operated by the Wilmington Savings

Mr. George Cochran Doub

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and Trust Company is not required. On the basis of this statement, Wachovia Bank could then advise its counsel that dismissal of the suit in question would now appear to be in order.

If such a letter were transmitted to Wachovia and a praecipe of dismissal submitted to the United States Attorney, a "no objection" could be entered on the Board's behalf, to be followed by an appropriate order of dismissal. Pending receipt of your direction in this matter, any inquiry by representatives of Wachovia Bank will be referred to your office.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 21, 1960

SERVICE REQUISITION NO. 125
81-D-1 Leased Wire System

Mr. L. M. Munford, Sales Manager,
American Telephone and Telegraph Company,
801 - 19th Street, N. W.,
Washington 6, D. C.

Dear Mr. Munford:

You are hereby authorized to proceed with the expansion of the Federal Reserve 81-D-1 Leased Wire System--75 Speed, in accordance with your Company's "Report of Study and Recommendation for the Federal Reserve System 81-D-1 Teletypewriter Network-Part II" dated August 1960.

This expansion will include: two additional circuits, two spares, expansion to a (47x80) System, an additional level of willful intercept, and increase in multiple address capacity, at a total increase in monthly charges of approximately \$5,200.

Non-recurring charges will include: installation of the above at a cost of \$4,525; installation of (47x80) Chassis at a cost of \$3,000; and relocation of the operating portion of the Switching Center to the floor below at a cost of approximately \$25,000.

The above items with the additional provision for a maximum termination charge of \$5,100 include all costs relating to this expansion as detailed in your Cost Comparison, revised October 14, 1960.

It is understood that this expansion will be completed and operating in time to handle the December 1961 peak volume.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
12/21/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 22, 1960

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

Dear Mr. Crosse:

Reference is made to Marine Midland Trust Company's letter of November 17, 1960, and your letter of December 9, 1960, concerning the request by Marine Midland Trust Company for a ruling by the Board as to whether or not that bank may, under section 4(c)(1) of the Bank Holding Company Act of 1956, acquire all of the stock of a corporation to be formed to acquire the leasehold of the entire building at 250 Park Avenue, New York City.

Since the bank now occupies only 2.5 per cent of the building in question, it is the Board's view that the proposed corporation would not hold property used "substantially" by the bank within the meaning of section 4(c)(1) of the Act. However, in the light of the circumstances, and in view of the bank's undertaking to dispose of stock of the proposed corporation if the building is not substantially occupied by the bank by December 31, 1965, the Board is of the opinion that such corporation may properly be regarded as holding the property for the future substantial use of the bank and that, therefore, the acquisition of stock of the corporation by the bank would fall within the exception in question. The Board expressly reserves the right to determine whether or not such occupancy is "substantial" within the meaning of section 4(c)(1) of the Act as of December 31, 1965.

It will be appreciated if you will transmit the substance of this letter to Marine Midland Trust Company.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
12/21/60

OFFICE OF THE CHAIRMAN

December 22, 1960

The Honorable Porter Hardy, Jr.,
Chairman,
Foreign Operations and Monetary Affairs Subcommittee
of the Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

One of the questions presented to the Board in your letter of June 10, 1960, had to do with the possibility of adopting a single Federal Reserve note issue in place of the present twelve note issues of the Federal Reserve Banks.

The Board's letter of June 29, 1960, transmitting replies to several of the questions presented by your Committee indicated that our comments on the question of a single Federal Reserve note issue would be furnished at a later date. A statement of the Board's views on this question has now been completed and two copies are enclosed.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosures



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
12/21/60

OFFICE OF THE CHAIRMAN

December 21, 1960.

The Honorable Fred C. Scribner, Jr.,
Under Secretary of the Treasury,
Washington 25, D. C.

Dear Fred:

The Board has no objection to the substance of the proposed Emergency Banking Regulation, the accompanying statement of the Secretary of the Treasury, and the contingent amendment to the Regulation enclosed with your letter of December 2, 1960. It is our belief that these documents represent substantial agreement in principle on the postattack measures needed to facilitate banking operations and to forestall excessive inflation.

The Board concurs with your proposal that the Regulation and the accompanying statement be issued as interim documents so as to provide necessary planning guidance to banks and other financial institutions concerned. It is believed that the issuance of the documents on this basis will enlist more people in the planning process and elicit from them suggestions for the improvement of preparedness planning generally.

You may wish to consider a minor change which does not involve substance but which might make the Regulation more acceptable to commercial bankers. It is that the first sentence of Chapter III be changed to read: As used in this Regulation, the term "banking institution" shall include the following banking and financial institutions: every commercial bank, trust company, . . . This suggestion is prompted by the long-standing position of commercial bankers that a clear distinction should be preserved between banks and some of the other financial institutions listed in the definition of "banking institution," and by our need for the full cooperation of all concerned in promoting financial preparedness.

Sincerely yours,

Wm. McC. Martin, Jr.