

Minutes for January 16, 1961

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

WMS

Gov. Szymczak

[Signature]

Gov. Mills

[Signature]

Gov. Robertson

RJ

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on  
Monday, January 16, 1961. 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. King

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Shay, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Noyes, Director, Division of Research  
and Statistics  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of  
Examinations  
Mr. Johnson, Director, Division of  
Personnel Administration  
Mr. Masters, Associate Director, Division  
of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. Rudy, Special Assistant, Legal Division  
Mr. Conkling, Assistant Director, Division  
of Bank Operations  
Mr. Landry, Assistant to the Secretary  
Mr. Young, Assistant Counsel  
Miss Hart, Assistant Counsel  
Mr. Leavitt, Supervisory Review Examiner,  
Division of Examinations  
Mr. Poundstone, Review Examiner, Division  
of Examinations  
Mr. Franzoni, Technical Assistant, Division  
of Bank Operations

Items circulated or distributed to the Board. The following items,  
which had been circulated or distributed to the Board and copies of which

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are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to The Chase Manhattan Bank, New York, New York, approving the continued operation of a branch at 37 Wall Street until July 1, 1961.	1
Letters to Chemical Bank New York Trust Company, New York, New York, approving extensions of time to establish branches at 67 Broad Street and in Rego Park.	2 and 3
Letter to First National Bank of Owensville, Owensville, Indiana, approving its application for fiduciary powers.	4
Letter to The Bank of Edwardsville, Edwardsville, Illinois, approving an investment in bank premises.	5
Letter to Sulphur Springs State Bank, Sulphur Springs, Texas, approving an investment in bank premises.	6
Letter to Chase International Investment Corporation, New York, New York, granting consent for Arcturus Investment & Development, Ltd., Montreal, Canada, to purchase stock of Esperance International Pty., Limited, an Australian corporation, and for Chase International also to acquire shares of that corporation.	7
Letter to Charles M. Boynton, Esq., South Bend, Indiana, granting permission for the late filing of a brief in connection with the hearing under section 4(c)(6) of the Bank Holding Company Act on an application by St. Joseph Agency, Inc.	8

Mr. Molony, Assistant to the Board, joined the meeting at this point and Mr. Leavitt withdrew.

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Aid for economically depressed areas (Item No. 9). At the meeting on January 13, 1961, consideration had been given to a proposed letter to Chairman Robertson of the Senate Banking and Currency Committee reporting on S. 1 and S. 6, bills to alleviate conditions in economically depressed areas, and the staff was requested to prepare a revised draft. Distribution had now been made, under date of January 13, 1961, of three alternative drafts, one a revised staff draft, the second a draft phrased along lines suggested by Governor Balderston, and the third a draft phrased along lines suggested by Governor Robertson. There had also been distributed copies of the Board's letter of February 26, 1959, commenting on similar bills introduced in the preceding Congress.

After discussion of the alternative drafts, it was decided to transmit to Chairman Robertson a letter along the lines of the draft proposed by Governor Balderston, as amended by changes suggested by Governor Mills and with the portion stricken that commented on the method of financing the programs envisaged by the bills. In taking this action, it was understood that reference would also be made in the letter to S. 9, a similar bill introduced by Senator Dirksen, unless further staff study disclosed some reason for bringing the matter back to the Board.

A copy of the letter sent pursuant to the Board's action is attached as Item No. 9.

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Mr. Young then withdrew from the meeting and Mr. Hooff, Assistant General Counsel, entered the room.

Weekly Federal Reserve Condition Statement (Item No. 10). On October 20, 1960, a letter had been sent to all Federal Reserve Banks requesting comments on a proposal to publish the weekly Federal Reserve Condition Statement (H.4.1) on a consolidated (rather than a combined) basis, and in millions of dollars. Replies had now been received from all Banks, ten of which favored both proposals. The Atlanta and Dallas Reserve Banks had raised a question as to the effect of the consolidation on the ratio of gold certificate reserves to deposit and Federal Reserve note liabilities combined. The former feared misinterpretation of the resulting increase in the ratio; the latter based its objection, which went not only to the gold reserve ratio but to the consolidation procedure in general, on the ground that a consolidated statement would be appropriate only "...when there is a common control through stock ownership...." The Atlanta Reserve Bank also referred to possible misinterpretation of the proposal to publish the statement in millions of dollars as an attempt to conceal minor changes in the System's operations, and the Dallas Reserve Bank believed the advantages of publication in millions did not outweigh certain possible disadvantages.

The objections of the Atlanta and Dallas Reserve Banks were summarized in a distributed memorandum of the Division of Bank Operations

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dated January 10, 1961, which also referred to other changes in the Federal Reserve condition statement suggested by Mr. Thomas at the Board meeting on October 20. These related to the definition of U. S. Treasury, foreign, and other deposits, and to the reporting of gold held by the Exchange Stabilization Fund. In view of a program now under consideration which would involve changes in other compilations of data published by the Board, and might take some time to work out, it was the opinion of the staff that the changes in the weekly Federal Reserve statement covered in the memorandum from the Division of Bank Operations should not be held up.

Attached to the memorandum was a proposed letter to all Reserve Bank Presidents informing them that the plan to publish a consolidated weekly statement, and in millions of dollars, would be put into effect February 2, 1961.

In commenting on the matter, Mr. Conkling pointed out that a modification of the original staff proposal was now recommended by the Division of Bank Operations. Instead of publishing the ratio of gold certificate reserves to deposit and Federal Reserve note liabilities in the weekly statement on a consolidated basis, which would have had the effect of increasing the ratio by about .3 per cent in most weeks (although sometimes as much as .6 or .7 per cent in the months of January and February), these ratios would be published only on a combined basis. On the second page of the statement, which would show other figures on a

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consolidated basis, a parenthetical explanation regarding the reserve ratio would be included, as follows: "(computed from figures as shown on the following pages--not consolidated)".

Messrs. Thomas and Hackley pointed out that the gold reserve requirement is applicable to the Federal Reserve Banks individually, and that there is no requirement applicable to the System as a whole. Therefore, to show the gold reserve ratio in the weekly statement on a consolidated basis would appear to serve no useful purpose, and in fact might be confusing and misleading. Accordingly, if any figure at all was to be shown in the weekly statement, a figure computed on a combined basis would seem preferable.

As to the other point that had been raised by the Dallas Bank, Messrs. Hackley and Farrell made reference to the provision of section 11 of the Federal Reserve Act which requires a consolidated statement for all Federal Reserve Banks and a detailed statement showing the assets and liabilities of the Federal Reserve Banks, singly and combined. Although technically the Reserve Banks are not under the same corporate control, they saw no sound reason why the weekly statement should not be published on a consolidated basis, particularly when publication on a combined basis resulted in overstatement of the assets and liabilities of the System as a whole.

Mr. Conkling then commented further on the steps that would be taken to implement a decision to proceed along the lines recommended by

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the Division of Bank Operations, including the insertion of an explanation of the changes between the first and second pages of the first weekly statement issued on the new basis.

At the conclusion of the discussion, the recommendation of the Division of Bank Operations was approved unanimously, with the understanding that the changes would become effective with the weekly statement published on February 2, 1961. This action contemplated that the letter that had been submitted with the memorandum from the Division of Bank Operations would be sent to the Federal Reserve Banks. A copy of that letter is attached as Item No. 10.

Messrs. Molony, Noyes, Farrell, Conkling, and Franzoni then withdrew from the meeting.

Interpretation of section 220.3(g) of Regulation T (Item No. 11).

There had been distributed with a memorandum from the Legal Division dated January 11, 1961, copies of a letter from the Federal Reserve Bank of New York dated October 18, 1960, submitting to the Board a question that had arisen from conflicting interpretations of section 220.3(g) of Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges, that had been given by that Bank and the Federal Reserve Bank of San Francisco. There was also attached to the memorandum a draft of reply to the New York Reserve Bank agreeing with its view that the last sentence of section 220.3(g) prohibits the concurrent carrying of long and short



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positions in the same registered security for the purposes of Regulation T, regardless of which position is taken first.

The last sentence of section 220.3(g) provides that:

"For the purposes of this part (Regulation T), if a security has maximum loan value in the account under subparagraph (c)(1) of this section, a sale of the same security (even though not the same certificate) in the account shall be deemed to be a long sale and shall not be deemed to be or treated as a short sale."

This sentence was adopted as part of the amendments of June 15, 1959, to close a loophole by means of which the purpose of the retention requirement, adopted as part of the same amendments to improve the quality of undermargined accounts, would have been frustrated. As noted in the Legal Division's memorandum, some flexibility in undermargined accounts was permitted by allowing substitutions without deposit of additional margin where the substitutions are carried out by purchases and sales on the same day, but the Board had refused to lengthen the period under which a substitution might be made without deposit of additional margin. It would be possible to make such substitutions over a longer period without deposit of additional margin if customers were permitted to maintain simultaneous long and short positions in the same account.

Shortly after the amendment to section 220.3(g) of Regulation T became law, the New York Reserve Bank informed the New York Stock Exchange, which so advised its members, that the amendment applied not only to a

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situation in which a long position was already in a customer's account with a broker and the former set up a matching short sale, but also if the customer first made a short sale and subsequently purchased and carried the same stock long in his margin account.

On September 12, 1960, the Federal Reserve Bank of San Francisco gave an individual an interpretation of section 220.3(g) of the Regulation which likewise attempted to close the seeming loophole under which a customer could trade in and out of a security indefinitely, after depositing only a single margin, if he first took a short and then a long position. In its interpretation, however, the Reserve Bank stated that a second full margin would be required at the time the long purchase was made.

Having been apprised of the differing interpretation of this section of the Regulation that had been given by the San Francisco Reserve Bank, the New York Stock Exchange requested clarification in a letter to the Federal Reserve Bank of New York dated October 3, 1960.

In the opinion of the Legal Division, the interpretation given by the San Francisco Reserve Bank could not be justified because of the provision of section 220.3(d)(3) which states that no margin is required for securities sold short in an account where the same securities ("securities exchangeable or convertible...into such securities sold short") are held long in the account. The Legal Division also believed

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that the interpretation originally given to the New York Stock Exchange by the Federal Reserve Bank of New York was correct. Accordingly, it was recommended that the Board adopt the interpretation of that Bank.

After comments by Miss Hart, the proposed letter to the Federal Reserve Bank of New York expressing agreement with its interpretation was approved unanimously, with the understanding that the interpretation would be published in the Federal Register and the Federal Reserve Bulletin. It was also understood that copies of the letter to the New York Bank would be sent to the Federal Reserve Bank of San Francisco, with the request that the individual who had made inquiry be informed accordingly, and that copies of the letters to the New York and San Francisco Banks would be sent to Senator Engle of California, with whom the individual making the inquiry had been in contact. A copy of the letter to the New York Reserve Bank is attached as Item No. 11.

Messrs. Shay and Poundstone then withdrew from the meeting.

Study of common trust fund regulations. At its meeting on November 28, 1960, the Board authorized publication in the Federal Register of a proposed amendment to section 17(a) of Regulation F, Trust Powers of National Banks. The proposed amendment, as to which the date for submission of comments was subsequently extended, would provide that an inter-vivos trust revocable by the settlor and calling for payment to the settlor's estate at his death would be ineligible for common trust

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participation. The decision to publish the proposed amendment for comment was reached with the understanding that the Board would make a study of all features of its common trust fund regulations. In this connection, it was agreed that the Board would schedule a panel presentation through which would be sought the views of individuals and institutions concerned with the appropriate use of common trust funds. There had now been distributed, under date of January 11, 1961, a memorandum from Mr. Masters concerning the possible scope of the proposed study and the selection of participants in two proposed panel presentations.

In his memorandum, Mr. Masters noted that the first panel suggested therein would comprise one representative of the trust business to be chosen by the Trust Division of the American Bankers Association, a similar representative to be chosen by the Board, and one representative of the public interest, also to be selected by the Board. Each participant would be requested to prepare and present a paper on a phase of the subject to be agreed upon after consultation with the Board's staff, with a view toward presenting a balanced evaluation of the place of common trust funds in trust business, their future prospects, and current and prospective administrative problems relevant to existing regulatory provisions. The second proposed panel would include one or more representatives each of the Securities and Exchange Commission, the National Association of Securities Dealers, the Internal Revenue Service, the Comptroller of the

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Currency, the Federal Deposit Insurance Corporation, and the National Association of Supervisors of State Banks.

After commenting on the matter, Mr. Masters indicated that if the Board agreed with the approach to this project as outlined, the staff would proceed with detailed arrangements.

In the discussion that followed, questions were raised and commented upon concerning a number of the features of the proposed arrangements. As the result of this discussion, it was suggested that it might be appropriate to think in terms of scheduling the panel presentations for about mid-March, that the American Bankers Association might be asked to nominate two of the three members of the first panel, with the understanding that divergent points of view would be represented, and that the organizations to be included in the second panel should be invited to have representatives present at the first panel as observers. As to remuneration, it was suggested that most of the participants, by virtue of their positions, probably would not want to receive honoraria, and that the question could be brought back to the Board if any cases developed where it seemed desirable to make a payment to the participant.

At the conclusion of the discussion, it was understood that plans for the panel presentations would proceed on the basis outlined in Mr. Masters' memorandum, as amended to take into account the suggestions made at this meeting.

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All of the members of the staff except Messrs. Sherman, Kenyon, and Johnson then withdrew from the meeting.

Appointments at San Francisco Bank (Item No. 12). Pursuant to the understanding at the meeting on December 19, 1960, the Chairman of the Federal Reserve Bank of San Francisco had been advised by Chairman Martin that the Board of Governors would be agreeable to the appointment of Eliot J. Swan as President of the Bank, and of H. E. Hemmings as First Vice President, each for a five-year term beginning March 1, 1961, if such appointments were made by the Board of Directors. In a letter dated January 5, 1961, Chairman Whitman stated that those appointments had been made and the salaries of Messrs. Swan and Hemmings fixed at the annual rates of \$30,000 and \$21,500, respectively, for the period March 1 through December 31, 1961, subject to the approval of the Board of Governors. There had been circulated to the Board a proposed letter to the San Francisco Bank expressing approval of the appointments and the salary rates.

After discussion the letter, a copy of which is attached as Item No. 12, was approved unanimously.

Appointments of officers in charge of research. Governor Balderston commented that through oversight the intention of the Federal Reserve Bank of Atlanta to appoint Charles Taylor as Vice President in charge of the research function, as reported by the Bank in its correspondence

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regarding officer salaries for 1961, had not come to the attention of the Division of Research and Statistics prior to Board action on Mr. Taylor's salary. Although in this case the Director of the Division, when the appointment was subsequently brought to his attention, expressed no objection, Governor Balderston noted that similar appointments would have to be made in the near future at the Federal Reserve Banks of Boston and New York, which raised the question whether any steps should be taken with a view to assuring that when appointments were made by those Banks they would be of such a nature that no questions would arise.

During the discussion that ensued, it was pointed out that no legal requirement existed for Board approval of the appointment of the officer in charge of the research function at a Reserve Bank, as opposed to approval of the salary of the officer, although the Board in the past had indicated to the Banks that, by virtue of its interest in the research program of the System, the Board would like to be advised of contemplated appointments at the respective Banks.

With respect to the situation at the Federal Reserve Bank of Boston, it was noted that President Erickson and the incoming President, Mr. Ellis, would be in Washington next week to attend a meeting of the Federal Open Market Committee, and it was suggested that Governor Balderston could review the matter with them informally at that time. It was also indicated that Chairman Martin might discuss the situation at the New

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York Bank with President Hayes informally if an appropriate occasion should arise.

Mr. Johnson then withdrew from the meeting.

Procedure for handling matters requiring Board approval. Governor Balderston referred to the time required for processing and obtaining Board action on certain matters in the bank supervisory area of a relatively routine nature, in particular requests for additional time for State member banks to establish branches and requests for permission to make investments in bank premises under section 24A of the Federal Reserve Act. He presented for consideration the question whether the Board would want to delegate authority to a member of the Board to pass upon those two classes of items, with the understanding that such member would bring any unusual cases to the Board's attention.

However, following a discussion during which it was noted, among other things, that State member banks did not appear to have been handicapped by the timing of actions relating to applications in the two categories to which reference had been made, it was decided to make no change in existing procedures at this time.

There was also some discussion as to whether it would be feasible to make any reduction in the number of staff members through whom various bank supervisory items requiring Board approval customarily are cleared. In this connection, question was raised as to whether there might not be



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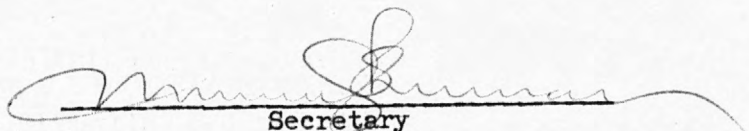
a tendency to route through the Legal Division more items than necessary, particularly items as to which it would appear that no legal question was involved. It was brought out, however, that in any organization clearance of matters through the legal staff may be regarded as a valuable "insurance device" and that in certain cases it might develop that there were legal aspects that would not be noticed unless the cases were submitted for legal review.

The meeting then adjourned.

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

No. 13) Letter to the Federal Reserve Bank of San Francisco (attached Item  
No. 13) approving the appointment of Alan S. Cohen as assistant examiner.

No. 14) Letter to the Federal Reserve Bank of San Francisco (attached Item  
No. 14) approving the designation of O. L. Burgess, H. G. Ramirez, F. P.  
Thoennes, K. L. Peterson, J. L. Scott, and J. W. Sines as special assistant  
examiners.

  
Secretary

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

Item No. 1  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961



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 continued operation by The Chase Manhattan Bank, New York, New York, of its branch at 37 Wall Street, New York, New York, until July 1, 1961.

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  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961

Board of Directors,  
Chemical Bank New York  
Trust Company,  
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 extends to July 20, 1961, the time within which Chemical Bank New York Trust Company, New York, New York, may establish a branch at 67 Broad Street, New York, New York, as approved by the Board in its letter of July 20, 1960. It is understood that operations at the branch located at 30 Broad Street, New York, New York, will be discontinued simultaneously with the opening of the branch at 67 Broad Street, New York, New York.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 3  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961



Board of Directors,  
Chemical Bank New York  
Trust Company,  
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 extends to July 15, 1961, the time within which Chemical Bank New York Trust Company, New York, New York, may (1) establish a branch at the northwest corner of Queens Boulevard and 64th Road, Rego Park, New York, as approved by the Board in its letter of July 24, 1959, and (2) discontinue operations at the temporary quarters at 97-63 Queens Boulevard, Rego Park, New York, as approved by the Board in its letter of September 29, 1959.

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  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961

Board of Directors,  
First National Bank  
of Owensville,  
Owensville, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First National Bank of Owensville authority to act, when not in contravention of State or local law, as executor and administrator. 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. 5  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961



Board of Directors,  
The Bank of Edwardsville,  
Edwardsville, Illinois.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of \$30,500 in bank premises by The Bank of Edwardsville, Edwardsville, Illinois. The approved investment includes \$20,500 for the purchase of a tract of land to be employed, at present, as a parking lot for customers of the bank and \$10,000 for expenses in conversion of the property to a parking lot.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



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

Item No. 6  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961

Board of Directors,  
Sulphur Springs State Bank,  
Sulphur Springs, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Sulphur Springs State Bank, Sulphur Springs, Texas, of \$185,000 for the purpose of constructing a new bank building.

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. 7  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961.

Mr. V. E. Rockhill, President,  
Chase International Investment Corporation,  
18 Pine Street,  
New York 5, New York.

Dear Mr. Rockhill:

In accordance with the request contained in your letter of October 31, 1960, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants its consent for Arcturus Investment & Development, Ltd. ("Arcturus"), Montreal, Canada, a wholly owned subsidiary of Chase International Investment Corporation ("CIIC"), to purchase, at an approximate cost of US\$236,400, and hold 105,536 shares, par value £A 1 each, of the capital stock of Esperance International Pty. Limited, a new corporation organized under the laws of the Australian Capital Territory and registered in the State of Western Australia, provided such stock is acquired within one year from the date of this letter. The Board also grants its consent for CIIC to acquire and hold, in consideration for its services in formulating and effecting the financial plan for the enterprise, 30,000 shares of such stock.

The Board's consent is granted upon condition that Arcturus and CIIC shall dispose of their holdings of stock of the Australian company, as promptly as practicable, in the event that the Australian company should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) conduct its operations in a manner inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.



## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. V. E. Rockhill

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So long as Arcturus and CIIC are the controlling stockholders in the Australian company, the Australian company will make no investment in the stock of any corporation or partnership except after the consent of the Board of Governors has been obtained in the same manner as provided by Section 211.9(c) of Regulation K for Financing Corporations. The Board grants its consent for Esperance International to become a general partner in Esperance Land & Development Company through an investment of \$A 265,000 in the Development Company.

When required by the Board of Governors, Arcturus and CIIC will cause the Australian company to permit examiners appointed by the Board of Governors to examine the Australian company and its branches and agencies, and to furnish the Board of Governors with such reports as it may request from time to time.

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

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. 8  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 17, 1961

Charles M. Boynton, Esq.,  
Law Offices of Doran, Manion,  
Boynton & Kamm,  
St. Joseph Bank Building,  
South Bend 1, Indiana.

Dear Mr. Boynton:

This refers to your letter of January 10, 1961, requesting that you be allowed to file late a brief in the matter of the application by St. Joseph Agency, Inc., for a determination by the Board of Governors of the Federal Reserve System pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956, Docket No. BHC-57.

In accordance with Rule VIII of the Board's Rules of Practice for Formal Hearings, the Board has granted your request and has received as filed the brief enclosed in your letter of January 10.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 9  
1/16/61

OFFICE OF THE CHAIRMAN

January 16, 1961

The Honorable A. Willis Robertson,  
Chairman,  
Committee on Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your requests of January 9, 10 and 12, 1961, for the Board's comments on S. 1, S. 6, and S. 9 -- bills to alleviate conditions in economically depressed areas.

The Board is sympathetic to the purposes of the proposed legislation and hopes that an appropriate bill may be enacted promptly. If the aid proposed is to be effective, it should be focused upon areas that are significantly depressed in relation to the remainder of the country. To spread such aid over the economy as a whole, or too large a portion of it, could lead to economic effects which would be undesirable. The problem is not only to decide what steps might be helpful, but where and how much. For this reason, we would urge that the test or tests applied in identifying depressed areas be such that they will direct the assistance to the areas of greatest need.

Sincerely,

Wm. McC. Martin, Jr.

Enclosures.

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

Item No. 10  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1961.

Dear Sir:

Replies have been received from all Reserve Banks in response to the Board's letter of October 20, 1960, concerning the proposal to publish a consolidated Statement of Condition of the Federal Reserve Banks (H.4.1(a)), and in millions of dollars. The comments on the two proposals and the alternative methods of handling are summarized in the attached memorandum, together with Board decisions thereon.

Ten Banks favored both proposals. The views of the other two Banks are set forth in some detail in the attachment. It will be noted that, with respect to the consolidation proposal, one Bank had serious misgivings about putting it into effect at this time because it would raise the gold reserve ratio, which might be misinterpreted as an attempt to cover up the gold situation by juggling of statistics. The other Bank also mentioned the gold reserve ratio, but its objections were more on the grounds that a consolidated statement is appropriate only where there is a common control through stock ownership. On the proposal of publishing the statement in millions of dollars, one Bank stated that this might also be misinterpreted as an attempt to conceal minor changes, and the other considered the advantages to be outweighed by the disadvantages, particularly the possibility of significant discrepancies existing between the H.4.1 release and the actual Reserve Bank balance sheet.

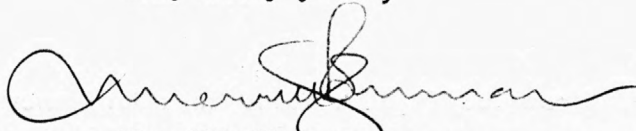
As explained in the attached memorandum, the gold reserve ratios will continue to be published only on the present combined basis.

It is contemplated that the first consolidated statement in millions of dollars will be released on February 2, 1961, as of the preceding day, with the announcement and consolidated page revised as indicated by the attachments; that an announcement will be made in the February 1961 Bulletin and the table in the February Bulletin will show the Wednesday and end-of-month statement figures on a consolidated

basis and in millions of dollars; and that the table showing the condition of individual Reserve Banks will continue on a combined basis, but in millions of dollars, with the "Total" column restored.

The Board's staff has responded to those portions of the Reserve Banks' letters which are not covered in the attached memorandum.

Very truly yours,



Merritt Sherman,  
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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

Item No. 11  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



January 17, 1961

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

Dear Mr. Crosse:

This refers to your letter of October 18, 1960, enclosing a copy of a letter dated October 3, 1960, from the New York Stock Exchange, which presents the question whether the last sentence of section 220.3(g) of Regulation T applies when a customer first sells a registered security short in an undermargined account, then subsequently purchases the same security, instructing the broker to maintain long and short positions in that security.

The Board agrees with your view that the last sentence of section 220.3(g) prohibits the concurrent carrying of long and short positions in the same registered security for the purposes of Regulation T, regardless of which position is taken first. This result follows because the word "sale" is equivalent, where the sense of the regulation requires it, to "sale position". Accordingly, where a security is purchased "long" in a margin account, and there is an existing short position in the same security in the account, the two positions must be "netted out" for purposes of the regulation. It would be appreciated if you would inform the Stock Exchange of the Board's decision, which will be published in the Federal Reserve Bulletin and in the Federal Register.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 12  
1/16/61

OFFICE OF THE CHAIRMAN

JAN 16 1961

CONFIDENTIAL (FR)

Mr. F. B. Whitman,  
Chairman of the Board,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Whitman:

The Board of Governors has approved the appointment of Mr. Eliot J. Swan as President and Mr. H. E. Hemmings as First Vice President of the Federal Reserve Bank of San Francisco, each for a term of five years beginning March 1, 1961, in accordance with the action taken by the Board of Directors as reported in your letter of January 5, 1961.

The Board of Governors has also approved the payment of salaries to Messrs. Swan and Hemmings at the rates of \$30,000 and \$21,500 per annum, respectively, for the period March 1, 1961, through December 31, 1961.

No announcement of the Board's approval will be made with the thought that you will make such local announcement as your Bank may desire.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.]

Wm. McC. Martin, Jr.

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

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Item No. 13  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 17, 1961

Mr. H. N. Mangels, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Mangels:

In accordance with the request contained in your letter of January 5, 1961, the Board approves the appointment of Alan S. Cohen as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise us of the effective date of the appointment.

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. 14  
1/16/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 17, 1961



Mr. H. N. Mangels, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Mangels:

In accordance with the request contained in your letter of January 6, 1961, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks only:

O. L. Burgess	F. P. Thoennes
H. G. Ramirez	K. L. Peterson

The Board also approves the designation of J. L. Scott and J. W. Sines as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks except Wells Fargo Bank American Trust Company, San Francisco, California. The authorization heretofore given your Bank to designate these employees as special assistant examiners is hereby canceled.

It has been noted on our records that Mr. H. P. Franzel has eliminated "Jr." from his name, and appropriate notations have been made of the names to be deleted from the list of examining personnel of your Bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.