FR 609
Rev. 10/59

Minutes for January 19, 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

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System on Thursday, January 19, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Young, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Chase, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Miss Hart, Assistant Counsel
Mr. Leavitt, Supervisory Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations

Application of California Bank to merge with First Western Bank and Trust Company, San Francisco; application of Firstamerica Corporation to acquire stock of First Western Bank and Trust Company, Los Angeles (Items 1 and 2). There had been distributed to the Board two memoranda

1/ Withdrew from meeting at point indicated in minutes; attended subsequent session.

from the Division of Examinations dated January 5, 1961, and January 12, 1961, relating to:

(1) An application by California Bank, Los Angeles, California, for consent to merge with First Western Bank and Trust Company, San Francisco, California, under the charter of California Bank and with the title United California Bank, Los Angeles, California, and for permission to operate branches at the locations of 48 offices of First Western Bank and Trust Company as well as at 5 additional approved locations.

The Federal Reserve Bank of San Francisco and the Board's Division of Examinations recommended favorably on the application.

(2) An application by Firstamerica Corporation, Los Angeles, California, for prior approval, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956, of the acquisition of all of the 1,000,000 shares to be issued by First Western Bank and Trust Company, Los Angeles, California, a new bank.

The Federal Reserve Bank of San Francisco and the Board's Division of Examinations recommended that an order be issued granting the application.

Also distributed was a memorandum from the Legal Division dated January 17, 1961, regarding the proposed acquisition by Firstamerica Corporation of all shares of the new First Western Bank and Trust Company. In this memorandum the Legal Division agreed with the Division of Examinations that inasmuch as Firstamerica would be required by the decree in pending antitrust litigation to terminate its control of the new First Western Bank and Trust Company within six years, the creation of the new bank and the acquisition of its stock by Firstamerica Corporation should

be regarded by the Board as steps in a program that, within a relatively few years, would "bring about a contraction of Firstamerica's control of banks." If so, it was the opinion of the Legal Division that a strong argument could be made that denial of the application would be arbitrary and would lack substantial support in the record.

In commenting on the applications, Mr. Solomon referred to the Board's consideration in 1959, under the Bank Holding Company Act, of an application of Firstamerica Corporation to acquire the stock of California Bank. At that time the Board approved the application, with one dissenting vote. Firstamerica proposed to merge California Bank with First Western Bank and Trust Company, but on March 30, 1959, the Department of Justice filed a complaint to the effect that the proposed merger would violate certain antitrust provisions of both the Clayton and Sherman Acts. The present application to merge the two banks was the result of advice from the Department of Justice that it would dismiss the litigation if a plan worked out by that Department and Firstamerica Corporation were effected.

The plan contemplated the organization by Firstamerica Corporation of a new State nonmember insured bank that would acquire certain assets of and assume the liability to pay certain deposits made in the United California Bank. The new bank would take over 65 banking offices now operated by First Western Bank and Trust Company, San Francisco, and

would operate branches at certain other locations for which permission to establish branches was either pending or approved. Control of the new bank by Firstamerica Corporation was to be limited to a period of from two to six years, during which time the Corporation was to promote the development of the bank. After a two-year period, Firstamerica Corporation was to endeavor to dispose of its interest in the new bank so that the latter would then become an independent banking competitor in the State of California. If Firstamerica Corporation should be unsuccessful in divesting itself of the stock or assets of the new bank within six years after approval of the merger by appropriate regulatory agencies, the stock of the bank would then be distributed to Firstamerica Corporation's stockholders.

Mr. Solomon brought out that California Bank had total deposits of approximately $1.2 billion and First Western deposits of about $1 billion, making a total of $2.2 billion. It was contemplated that the deposits would be divided so that United California Bank would have $1.7 billion and the new First Western Bank and Trust Company would have $.5 billion.

Commenting on the effect of the proposed transactions on the capital situation of the banks concerned, Mr. Solomon noted that at present California Bank had only about an estimated 73 per cent of its required

capital, according to the Form for Analyzing Bank Capital, and First Western Bank and Trust Company about 90 per cent. If the plan proposed by the Justice Department were effected, United California Bank would have about 91 per cent. The capital position of the new First Western Bank and Trust Company would depend on the amount of stock in the new bank acquired by minority stockholders of the merged banks. If the minority stockholders subscribed for the maximum amount of the stock, the new bank would have about 90 per cent of its required capital. If there should be no subscription for stock by the minority stockholders, the bank would have about 75 per cent of its required capital.

Mr. Solomon observed that the Federal Deposit Insurance Corporation had approved insurance for the new First Western Bank and Trust Company, as well as the acquisition of assets by the new bank from the consolidated bank (United California Bank), with the requirement that the new bank would, within a stated period after its organization, have at least $38 million of capital--$8 million more than the bank would have if none of the minority stockholders subscribed to stock of the new bank and $2 million more than the bank would have if all of these stockholders subscribed.

Mr. Solomon stated that the Division of Examinations was of the opinion that it would be in order for the Board to approve the application of Firstamerica to acquire the stock of the new First Western Bank and

Trust Company and to approve the merger of California Bank and the present First Western Bank and Trust Company. He suggested that a paragraph be included in the letter to California Bank that would make it clear that the capital situation of United California Bank would require continuing attention.

Governor Mills said that he could see no objection to adopting the recommendation of the Division of Examinations that both applications be approved. He added that in the longer range the Board would want to follow Firstamerica Corporation and the status of its venture. If there was any inclination on the part of Firstamerica to retain on its books, after disposal of the new First Western Bank and Trust Company, an indebtedness representing funds put into that bank, it would be incumbent on the Board to look carefully into the proposal.

Governor Robertson indicated that, in light of the situation as it existed today, he would favor approving both applications. He added that over the next two to six years both of the new institutions would need careful supervision and examination to see that one of them did not wind up as simply a shell. However, that was a supervisory matter.

Governors Shepardson, King, and Balderston indicated that they also would favor approving the applications, as did Governor Szymczak.

On the basis of a question raised by Governor Balderston, a discussion followed as to the language that might be used in stating

reasons for the Board's approval of the application under the Bank Holding Company Act.

Mr. Hackley suggested that, in view of the unique nature of the case and also in view of some urgency, it would seem appropriate (1) to issue today the Board's Order covering the application of Firstamerica Corporation under the Bank Holding Company Act, with an indication that a Statement setting forth the reasons for the Order would be issued shortly; (2) to send letters today to California Bank and Firstamerica Corporation advising that the Board had approved their applications; and (3) to issue today a press release covering the Board's approval of both applications. Mr. Hackley added that it would be his thought to use a minimum number of words in the Statement, a draft of which would be presented for the Board's consideration.

Governor Balderston indicated that such a procedure would be agreeable to him. He went on to say that the matters before the Board this morning were the outgrowth of the intervention of the Department of Justice. The arrangements might work out satisfactorily, but on the other hand a third State-wide banking organization might create problems in the future. Therefore, he felt that the Board should be careful in setting forth the reasons for its approval of the application by First-america.

Chairman Martin withdrew from the meeting at this point in order to keep another appointment.

In further discussion, Governor Balderston said he was not sure that two State-wide institutions could compete more effectively with Bank of America National Trust and Savings Association than one State-wide institution. The Board had previously approved a proposal that would have led to the formation of one competing State-wide organization, which the Board thought could provide effective competition. However, the Justice Department then stepped in, and as a result it was now contemplated the competing State-wide institution would be split in two parts. One of the resulting banks, while quite large in the absolute, would be small relative to Bank of America. In summary, he was not certain enough about the final outcome in terms of the banking situation in California to want to go overboard. The usefulness of the arrangement that was now contemplated had yet to be demonstrated.

Governor Mills commented that in effect the majority of the Board had approved the original plan for merger. However, the Department of Justice then interposed objection. Essentially, therefore, the original plan was withdrawn, and a new proposal had been submitted for the Board's consideration. Accordingly, he separated the two applications and looked at the present plan as something de novo. What would develop in the future was beyond anyone's wisdom to ascertain at this time.

After further discussion, the Secretary reported that Chairman Martin had indicated, before leaving the meeting, that he would favor approving both applications.

The Board then approved unanimously the application of California Bank for consent to merge with First Western Bank and Trust Company, San Francisco, under the charter of California Bank and with the title United California Bank, Los Angeles, California, and for permission to continue to operate 48 present branches of First Western and to operate 5 additional branches. It was understood that the letter to California Bank would include a paragraph with reference to the capital situation of that bank.

A copy of the letter sent to California Bank pursuant to this action is attached as Item No. 1.

The Board also approved unanimously the issuance today of an Order granting the application of Firstamerica Corporation to acquire all of the shares of stock to be issued by the new First Western Bank and Trust Company. A copy of the Order is attached as Item No. 2. It was understood that a Statement in support of the Order would be prepared for the Board's consideration and released subsequently.

During the foregoing discussion Messrs. Thomas, Adviser to the Board, and Molony, Assistant to the Board, entered the room and at its conclusion Messrs. O'Connell, Hostrup, and Lyon withdrew.

Report on competitive factors (Steubenville and Amsterdam, Ohio). There had been distributed to the Board copies of a draft of report to the Comptroller of the Currency on the competitive factors involved in a proposed consolidation of The First National Bank and Trust Company in

Steubenville, Steubenville, Ohio, and Amsterdam State Banking Company, Amsterdam, Ohio. The report contained the following conclusion:

> The proposed consolidation would eliminate only a negligible amount of competition as little exists between these two banks, and would probably result in improved services for the Amsterdam area. The combination of a small bank with the largest bank in the county would cause the resulting bank to have about 46.2 per cent of total IPC deposits and 38.9 per cent of commercial banking offices in the county. This enhancement of the dominant position of the national bank could have a tendency toward monopoly.

There being no objection, the report was approved unanimously for transmittal to the Comptroller of the Currency.

Messrs. Nelson and Leavitt then withdrew from the meeting.

Ruling on applicability of sections 20 and 32 of Banking Act of 1933 (Item No. 3). On January 17, 1961, the Board considered two inquiries relating to whether certain real estate investment companies would be subject to the provisions of sections 20 and 32 of the Banking Act of 1933, which relate to affiliations between member banks and companies engaged principally in the issue, flotation, underwriting, public sale, or distribution of stocks, bonds, or similar securities, and interlocking directorates between member banks and companies primarily so engaged. In each instance the company, after its organization, would engage only in the business of financing real estate development or investing in real properties, and not in the type of business described in the statute.

However, each of the companies, in the process of its organization, would issue its own stock. In one instance, it appeared that the stock would be issued over a period of from 30 to 60 days; in the other instance it was stated that distribution was expected to be completed in not more than a few days.

On the basis of the facts stated, the Board concluded that the companies involved would not be subject to sections 20 and 32 of the Banking Act of 1933, since they would not be principally or primarily engaged in the business of issuing or distributing securities and would be issuing their own stock only for the period ordinarily required for corporate organization. However, if either of the companies should subsequently issue additional shares frequently and in substantial amounts relative to the size of the company's capital structure, it would be necessary to reconsider the matter.

On the basis of discussion at the January 17 meeting, it was understood that the staff would prepare a draft of ruling on the subject that would also clarify a ruling published in the April 1960 Federal Reserve Bulletin in which the Board took the position that a closed-end investment company which was in process of organization and was actively engaged in issuing and selling its shares was subject to section 32 as long as that activity continued.

A draft of ruling such as requested at the January 17 meeting was distributed to the Board with a transmittal memorandum from the Legal

Division dated January 18, 1961. The proposed ruling would state that the April 1960 interpretation should be regarded as applicable only where the circumstances were such as to indicate that the issuance of the company's stock was a primary or principal activity of the company. For example, such circumstances might exist where the initial stock of a company was actively issued over a period of time longer than that ordinarily required for corporate organization, or where, subsequent to organization, the company issued its own stock frequently and in substantial amounts relative to the total amount of shares outstanding.

Governor Mills said he believed the proposed ruling was in accordance with the understanding reached by the Board at its January 17 meeting. Therefore, he felt that its publication would be in order. He then raised a question as to whether it was considered that real estate investment companies of the kind discussed would be engaged in a securities business.

Mr. Hackley responded that the Board had on several occasions taken the position that ordinarily real estate lending does not involve dealing in securities. However, if a real estate investment company should issue certificates of participation in mortgages, that might be regarded as the issuance of securities. This, however, apparently was not contemplated in the cases considered on January 17.

Governor Mills then asked whether, if a real estate investment trust should increase its capital to expand its operations at a later

date, that would not seem to fall in the category of dealing in securities.

Mr. Hackley replied that an increase in capital at a later date, with the shares issued over only a short period of time, would not appear to him to subject a real estate investment company to the provisions of the law any more than it would an ordinary business corporation. A real estate investment company would be considered as dealing in securities, however, if it issued new stock so frequently or in such substantial amounts that the issuance of such stock became an essential activity of the company. Each case, of course, would have to be considered on the basis of its own facts.

After further discussion, the proposed ruling, with certain minor changes not affecting the substance, was approved unanimously for publication in the Federal Reserve Bulletin and the Federal Register. A copy is attached as Item No. 3.

At this point Messrs. Noyes, Director, and Robinson, Adviser, Division of Research and Statistics, entered the room, and Mr. Chase and Miss Hart withdrew.

Maximum interest rates under Regulation Q. There had been distributed a memorandum from Governor Robertson dated January 17, 1961, recommending that Regulation Q, Payment of Interest on Deposits, be amended in the following respects:

To increase from 3 per cent to 5 per cent the rate of interest which member banks may pay on (a) savings deposits, (b) time deposits having a maturity date of six months or more after the date of deposit or payable upon written notice of six months or more, and (c) any postal savings deposits which constitute time deposits; and

To increase from 2-1/2 per cent to 4 per cent the interest rate which member banks may pay on (a) any time deposit (except postal savings deposits which constitute time deposits) having a maturity date of less than six months and not less than ninety days after the date of deposit, or payable upon written notice of less than six months and not less than ninety days; and

To increase from 1 per cent to 3 per cent the rate of interest which member banks may pay on (a) any time deposit (except postal savings deposits which constitute time deposits) having a maturity date less than ninety days after the date of deposit or payable upon written notice of less than ninety days.

Reasons for the proposed changes were spelled out in the memorandum.

Governor Robertson commented that in the memorandum he had presented, with a statement of reasons, a proposition that he had mentioned on several occasions over the past few months. Noting the absence of a full Board, he suggested that the best procedure might be to request members of the staff to study the memorandum carefully and to be prepared to discuss any aspect of it at a subsequent meeting of the Board. For example, there might be differences of opinion as to whether the Board should prescribe three, or only two, different maximum rates of interest on time deposits. As to timing, he felt that the Board should act at a time like the present when there was a minimum of pressure.

He also felt that the adoption of maximum rates such as he had recommended would introduce into the banking structure of the country a principle of freedom of competition under which each bank could exercise its judgment in the light of conditions in its own area, the competition it must meet, and what it could afford to pay.

Governor Balderston inquired of Governor Robertson whether he would prefer to take the actions recommended in his memorandum or to seek a change in the law, to which Governor Robertson replied that he felt that the Board, if it went to the Congress, should be in the position of saying that it had tried every approach possible under the present law.

Mr. Hackley commented that there would be no question in his mind as to the legality of the proposed actions. Congress, he said, did not prescribe any standards as to what the maximum interest rates should be, or as to when or under what conditions the Board should change the maximum rates. The only standard prescribed was that maximum rates should be established for different types of deposits. There could, of course, be some question regarding compliance with the intent of the law if the maximum rates were set at some high level. However, the establishment of a 5 per cent maximum rate would not, he thought, be subject to that criticism if it could be shown that savings and loan associations were paying dividends of 4 per cent, 4-1/2 per cent, or even more. It was necessary to bear in mind, Mr. Hackley said, that the Federal Deposit

Insurance Corporation has independent authority with respect to maximum interest rates payable by nonmember insured banks. Also, national banks and State member banks would not be able to pay higher rates in many States unless State authorities took action similar to that proposed to be taken by the Board.

Governor Robertson then said that before any action was taken by the Board, he would contemplate meetings with the Federal Deposit Insurance Corporation to see whether that Corporation would take similar action. He would not contemplate meetings with State authorities, however, in view of variations in State statutes.

In reply to a question, Mr. Hackley pointed out that in the Banking Act of 1933 there was no requirement that the Board fix different maximum rates for different types of deposits. However, the Banking Act of 1935 provided that the Board should prescribe different rates for time and savings deposits having different maturities, different conditions respecting withdrawal or repayment, or different conditions by reason of different locations, or according to the varying discount rates in the several Federal Reserve districts. The Board had always followed the first standard--based on maturities.

Referring to the proposed schedule of maximum rates, Mr. Hackley raised the question whether a change from 1 to 3 per cent in the maximum rate on time deposits having a maturity of less than 90 days might not

be criticized as being unreasonable, considering the extent of the increase percentagewise and the fact that such deposits come close to being demand deposits.

Governor Robertson replied that he would have no objection if the maximum rate for that category of time deposit were fixed at 2 per cent, rather than the 3 per cent figure suggested in his memorandum.

During further discussion, Mr. Thomas noted that as long as there was a prohibition against the payment of interest on demand deposits, there was a question as to how far the Board should go in permitting the payment of interest on short-term time deposits, particularly when there was a wide difference between the reserve requirements against demand and time deposits. If 3 per cent were permitted to be paid on short-term time certificates of deposit, there would no doubt be great enthusiasm on the part of depositors to limit their demand deposits to the lowest possible amounts. Also, a 3 per cent rate of interest on short-term time certificates would make them at present more attractive than Treasury bills. On the other hand, he said, he would like to see some consideration given to the idea of authorizing banks to issue certificates of deposits with maturities of more than one year and not payable before maturity. He would favor permitting the payment of a high rate of interest on such certificates,

but he would restrict the rate on short-term time deposits, which are more competitive with money and demand deposits.

Mr. Thomas also raised the question whether it was entirely safe to assume that a proposal such as outlined in Governor Robertson's memorandum was legally sound and could not be challenged successfully. Aside from any legal question, however, it was his personal view that any such plan would nullify the purpose of the law which, as he understood it, was mainly to place some limitation on the ability of banks to make commitments, recognizing that unsound commitments made under the pressure of competition might get the banks into trouble in the event of a change in the economic situation. In his view, that was the fundamental purpose of the law; anything that would conflict with that purpose would seem to him, in effect, to nullify the law. Whether there should be any law of this kind was another question.

Governor Robertson commented that the paragraph of his memorandum that had been referred to by Mr. Thomas went only to the legality of the proposal. If there were good reasons--and he thought there might be--for placing a lower maximum rate on short-term time deposits, he would not object. A maximum rate of 2 per cent seemed reasonable to him, but if it was not reasonable he would not object to a maximum rate as low as 1 per cent.

Mr. Robinson commented that it could be argued that any maximum rates that were within the range of reasonableness would not go completely

beyond the intent of the law. On the other hand, if one accepted the philosophy that the purpose of the statute was to provide a control over what might be called a central pattern, then it could be argued that a proposal such as set forth in the memorandum would be beyond the intent of the law. One question seemed to be whether the Board would wish to take an action at this time that would undoubtedly bring protests from a rather large percentage of the commercial banks.

There followed comments with regard to the manner in which action by the Board might be interpreted in the light of current economic and financial conditions, and the discussion concluded with the understanding that the question of the maximum rates of interest payable on time and savings deposits would be considered further at another meeting.

The meeting recessed and, at Chairman Martin's request, reconvened in the Board Room at 11:30 a.m. with all members of the Board and Mr. Sherman present.

Appointments and salaries at Kansas City Reserve Bank (Item No. 4). Chairman Martin said that he had just received a telephone call from Chairman Hall of the Federal Reserve Bank of Kansas City, who stated that he had stepped out of a meeting of the directors of the Bank at which the directors had agreed unanimously (a) to appoint, subject to the Board's approval, George H. Clay as President of the Federal Reserve Bank of Kansas City for the five-year term beginning March 1, 1961, at a salary of $30,000

per annum; (b) to reappoint Mr. Koppang as First Vice President of the Bank for the five-year term beginning March 1, 1961, at a salary of $27,500 per annum; and (c) to increase the salary of Vice President Tow to $22,500 per annum effective March 1, 1961. The Chairman went on to say that Mr. Hall was anxious to know at once whether the Board would approve the two appointments and the three salary rates, since the Bank hoped to make an announcement of the appointments immediately. In response to a question, Chairman Martin said that Mr. Hall had indicated that the actions taken by the directors went together as a program, and in order to make a package that the directors believed would be satisfactory, it was important that all of the actions be approved on the basis submitted to the Board.

There followed discussion of the actions taken by the directors of the Kansas City Bank and of possible alternative actions that might have been taken as well as the advisability of raising with Chairman Hall certain questions regarding these actions. During the discussion, Governor Mills expressed strong reservations about approving a salary for a First Vice President at a rate in excess of that generally fixed as the maximum for the position at other comparable Federal Reserve Banks on the grounds that to approve a higher salary would lead to further difficult problems for the Board.

At the conclusion of the discussion, unanimous approval was given to the actions taken by the directors of the Kansas City Bank as reported by Chairman Martin with the understanding that he would advise Chairman Hall by telephone of the Board's action in order that an immediate announcement of the appointments as President and First Vice President might be made. A copy of a letter sent to Chairman Hall under date of January 24, 1961, giving formal advice of the Board's action is attached to these minutes as Item No. 4.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff to the amounts indicated, effective January 22, 1961:

Yves Maroni, Economist, Division of International Finance, from $11,155 to $12,210 per annum.

Mary P. Barlow, from $4,840 to $5,160 per annum, with a change in title from Statistical Clerk to Statistical Assistant, Division of Bank Operations.

Alex J. Harris, Jr., from $6,015 to $6,435 per annum, with a change in title from Assistant Federal Reserve Examiner to Assistant Review Examiner, Division of Examinations.

Charles W. Wood, Personnel Assistant, Division of Personnel Administration, from $6,765 to $7,560 per annum.

Secretary

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

Item No. 1
1/19/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 19, 1961

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

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, and finding the transaction to be in the public interest, hereby consents to the merger of First Western Bank and Trust Company, San Francisco, California, into and with California Bank, Los Angeles, California, under the charter of California Bank and title of United California Bank, Los Angeles, California. The Board of Governors also approves the operation of branches by United California Bank at the following locations:

4110 Main Street	Riverside
1269 Fourth Avenue	San Diego
102 West Main Street	San Jacinto
901 State Street	Santa Barbara
110 West Cypress Street	Santa Maria
2610 East Main Street	Ventura
1364 Park Street	Alameda
1435 Burlingame Avenue	Burlingame
B and Main Streets	Hayward Central
40986 Fremont Boulevard	Irvington Central
176 Main Street	Los Altos
565 Castro Street	Mountain View
Fourteenth and Broadway	Oakland
2040 Franklin Street	Oakland
2603 Broadway	Redwood City
190 Parker Avenue	Rodeo
405 Montgomery Street	San Francisco
Haight and Belvedere Streets	San Francisco
3431 California Street	San Francisco
Fairmont Hotel	San Francisco
West Portal Avenue and Ulloa Street	San Francisco

226 South First Street	San Jose
1639 East Fourteenth Street	San Leandro Central
1017 Fourth Street	San Rafeal
298 South Murphy	Sunnyvale
2020 K Street	Bakersfield
917 Main Street	Delano
1545 Fulton Street	Fresno
750 East Olive Avenue	Fresno
351 Fifth Street	Gustine
200 South School Street	Lodi
225 East Yosemite Avenue	Madera
505 West 18th Street	Merced
325 F Street	Oakdale
St. Charles and Main Streets	San Andreas
130 North Sutter Street	Stockton
125 North Broadway	Turlock
414 West Main Street	Visalia
201 Broadway	Chico
936 Third Street	Crescent City
Third and California Streets	Dorris
605 Fourth Street	Eureka
415 Fourth Street	Marysville
1515 Pine Street	Redding
1005 J Street	Sacramento
2031 K Street	Sacramento
800 Main Street	Susanville
29 Main Street	Weed
819 10th Street	Modesto
Higuera and Morro Streets	San Luis Obispo
Downtown	San Bernardino
Downtown	South San Francisco
Van Ness Avenue & Clay Street	San Francisco

This approval is given provided: (1) the proposed merger and establishment of branches are effected within six months from the date of this letter and substantially in accordance with the combined application dated November 22, 1960, (2) shares of stock acquired from dissenting stockholders are disposed of within six months from date of acquisition.

The Board is pleased to note the improvement in the capital structure of California Bank (continued as United California Bank) that would result from the proposed merger and related transactions. However, the Bank's capital position should receive the continued close attention of its directors and stockholders and should be further strengthened.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 2
1/19/61

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

FIRSTAMERICA CORPORATION, Los Angeles, California

for prior approval of acquisition of voting shares of First Western Bank and Trust Company, Los Angeles, California

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of Firstamerica Corporation, Los Angeles, California, for the Board's prior approval of the acquisition of up to 100 per cent of the voting shares of First Western Bank and Trust Company, Los Angeles, California, a proposed new bank; a Notice of Receipt of Application having been published in the Federal Register on December 2, 1960 (25 Federal Register 12382) and on December 21, 1960 (25 Federal Register 13147) which provided interested persons an opportunity to submit to the Board comments and views regarding the proposed acquisition; and no such comments or views having been submitted;

IT IS HEREBY ORDERED, that said application be and hereby is granted, and the acquisition by Firstamerica Corporation of up to 100 per cent of the voting shares of First Western Bank and Trust Company, Los Angeles, California, is hereby approved, provided that such acquisition is completed within three months from the date hereof. A Statement of the reasons for this Order will be published in due course.

Dated at Washington, D. C., this 19th day of January, 1961.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and Governors Balderston, Szymczak, Mills, Robertson, Shepardson, and King.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 3
1/19/61

Real Estate Investment Company Not Subject to Section 32

The Board recently considered two inquiries regarding the question whether proposed real estate investment companies would be subject to the provisions of sections 20 and 32 of the Banking Act of 1933 (12 U.S.C. sec. 377 and sec. 78). These sections relate to affiliations between member banks and companies engaged principally in the issue, flotation, underwriting, public sale or distribution of stocks, bonds, or similar securities, and interlocking directorates between member banks and companies primarily so engaged. In both instances the companies, after their organization, would engage only in the business of financing real estate development or investing in real estate interests, and not in the type of business described in the statute. However, each of the companies, in the process of its organization, would issue its own stock. In one instance, it appeared that the stock would be issued over a period of from 30 to 60 days; in the other instance it was stated that the stock would be sold by a firm of underwriters and that distribution was expected to be completed in not more than a few days.

On the basis of the facts stated, the Board concluded that the companies involved would not be subject to sections 20 and 32 of the Banking Act of 1933, since they would not be principally or primarily engaged in the business of issuing or distributing securities but would only be issuing their own stock for a period ordinarily required for corporate organization. The Board stated, however, that if either of the companies should subsequently issue additional shares

frequently and in substantial amounts relative to the size of the company's capital structure, it would be necessary for the Board to reconsider the matter.

Apart from the legal question, the Board noted that an arrangement of the kind proposed could involve some dangers to an affiliated bank because the relationship might tend to impair the independent judgment that should be exercised by the bank in appraising its credits and might cause the company to be so identified in the minds of the public with the bank that any financial reverses suffered by the company might affect the confidence of the public in the bank.

Because of the foregoing conclusion that the companies would not be subject to sections 20 and 32, it seems advisable to clarify an interpretation published by the Board in the 1960 Federal Reserve Bulletin at page 371, in which the Board took the position that a closed-end investment company which was in process of organization and was actively engaged in issuing and selling its shares was subject to section 32 as long as this activity continued. That interpretation should be regarded as applicable only where the circumstances are such as to indicate that the issuance of the company's stock is a primary or principal activity of the company. For example, such circumstances might exist where the initial stock of a company is actively issued over a period of time longer than that ordinarily required for corporate organization, or where, subsequent to organization, the company issues its own stock frequently and in substantial amounts relative to the total amount of shares outstanding.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
1/19/61

OFFICE OF THE CHAIRMAN

January 24, 1961

CONFIDENTIAL (FR)

Mr. Raymond W. Hall,
Chairman of the Board,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Hall:

The Board of Governors has approved the appointment of Mr. George H. Clay as President and Mr. Henry O. Koppang as First Vice President of the Federal Reserve Bank of Kansas City, 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 19, 1961.

The Board of Governors has also approved the payment of salaries, at the rates indicated below, to the President, First Vice President, and Vice President Tow, for the period March 1 through December 31, 1961:

Name	Title	Annual Salary
George H. Clay	President	$30,000
Henry O. Koppang	First Vice President	27,500
Clarence W. Tow	Vice President	22,500

Sincerely yours,

Wm. McC. Martin, Jr.