

Minutes for February 1, 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

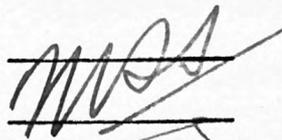
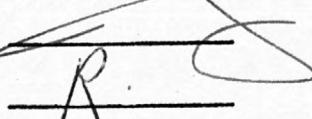
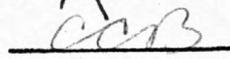
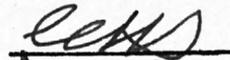
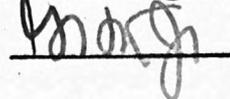
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System on
 Wednesday, February 1, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Solomon, Director, Division of Examinations
 Mr. Hooff, Assistant General Counsel
 Mr. Nelson, Assistant Director, Division of
 Examinations
 Mr. Leavitt, Supervisory Review Examiner, Division
 of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on January 31, 1961, 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 members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of Boston approving, under section 9 of the Federal Reserve Act, the payment of a dividend declared on November 24, 1959, by Valley Bank and Trust Company, Springfield, Massachusetts.	1
Letter to The Florida National Bank at Lakeland, Lakeland, Florida, approving its application for fiduciary powers.	2

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	<u>Item No.</u>
Letter to The First National Bank of Hays City, Hays, Kansas, approving its application for fiduciary powers.	3
Letter to The Ouachita National Bank in Monroe, Monroe, Louisiana, approving its application for fiduciary powers.	4
Letter to Peoples State Bank of East Tawas, East Tawas, Michigan, approving an extension of time to establish a branch at 410 Lake Street, Tawas City.	5
Letter to Milwaukee County Bank, West Allis, Wisconsin, approving an additional investment in bank premises.	6
Letter to the Federal Reserve Bank of San Francisco concerning the program at the Los Angeles Branch to provide additional parking facilities for the night force.	7
Letter to Linden Trust Company, Linden, New Jersey, consenting to its merger with Union County Trust Company, Elizabeth, New Jersey, and approving the operation of certain branches, along with a reduction of the capital of Linden Trust Company.	8
Letter to Petersburg Savings and American Trust Company, Petersburg, Virginia, consenting to its merger with The Bank of Hopewell, Hopewell, Virginia, and approving the operation of certain branches.	9

With respect to Items 8 and 9, merger applications submitted to the Board pursuant to the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, memoranda from the Division of Examinations that had been distributed to the Board

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analyzed in each instance the factors required to be considered by the statute in connection with applications of this kind. In each case the recommendation of the Federal Reserve Bank concerned and of the Division of Examinations was favorable. Included in the Division memoranda were statements concerning the views that had been expressed on competitive factors by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice. Approval of these applications by the Board reflected consideration of all of the information presented in the memoranda from the Division of Examinations.

Application to organize a national bank at Duncanville, Texas
(Item No. 10). There had been circulated to the Board a file concerning a request from the Comptroller of the Currency for a recommendation with respect to an application to organize a national bank at Duncanville, Texas. A draft of reply to the Comptroller that was submitted by the Division of Examinations recommended favorable consideration provided only one bank was to be established in Duncanville at this time.

In response to a question by Governor Mills, Mr. Nelson reviewed the reasons that had led the Dallas Reserve Bank and the Division of Examinations to conclude that a favorable recommendation to the Comptroller would be warranted. In the course of his comments, he pointed out, however, that an application by another group of citizens to organize a State bank in Duncanville had been denied in 1955, and that substantially the same group had again filed an application for a State charter. In the opinion

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of the Division and of the Reserve Bank, there was room for one bank in Duncanville, but not for two banks. Therefore, it was proposed to make the conditional recommendation set forth in the draft of letter to the Comptroller.

Governor Mills indicated that he had some reservations with regard to the need for even one bank in the community. Although there appeared to have been some development in the area, the community did not seem to have been entirely self-sufficient and the material resources of the area were limited. The organizers of the proposed bank appeared to be imbued with community enthusiasm, but they did not seem to have a great deal of financial means to support that enthusiasm. In summary, he felt that this was a borderline case.

At the instance of Governor Mills, there followed a discussion with regard to the minimum volume of deposits required to enable an independent bank to operate profitably. In commenting, Mr. Nelson indicated that he did not know of any general study that may have been made on this point.

Governor Mills then stated, in reply to a question by Governor Balderston, that he would be willing to go along with the proposed letter to the Comptroller of the Currency although, as he had indicated, he considered this a borderline application.

Governor King noted that an application for a State charter had been denied in 1955, but that if a national bank should be chartered in

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the Duncanville community there was no guarantee that the revived application for a State charter would not also be granted. From the available information, it seemed quite clear that it would be difficult for two new banks to establish themselves in the community. Since there was no apparent assurance that the application for a State charter would be denied, he felt that it would be unwise for the Comptroller to grant a national bank charter. Accordingly, he wished to be recorded as opposing the sending of the proposed letter to the Comptroller.

After further discussion, the proposed letter to the Comptroller of the Currency was approved, Governor King dissenting for the reason he had stated. A copy of the letter is attached as Item No. 10.

Visit by investment banker group. It was noted that, upon invitation extended pursuant to their request, members of the Government Securities Committee of the Investment Bankers Association were to visit the Board's offices later this morning for a staff economic presentation, the Committee being in Washington at the present time for the purpose of advising the Treasury Department of its views on matters related to Treasury financing.

Question was raised regarding the desirability of attendance of members of the Board at meetings of the kind to be held this morning, and there was some discussion of this question during which various points of view were expressed.

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Governor Mills commented that he continued to have reservations regarding the advisability of the visits of the group. He noted that the practice of the Treasury of consulting with committees of investment bankers and commercial bankers had come under criticism in the Congress, it being charged that private groups thereby had access to information, under the guise of advising the Treasury, that gave them a preferred outlook both on economic affairs and on the management of the Federal debt.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Boston (attached Item No. 11) approving the appointment of Cornelius A. Comstock, Jr. as assistant examiner.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 12) approving the designation of seven persons as special assistant examiners.

Memorandum dated January 27, 1961, from the Office of the Controller recommending that Charles R. Petersen, on loan to the Board from the San Francisco Reserve Bank, be paid a cost of living differential at the rate of \$5.00 a day while he is in Washington on this assignment and that he be reimbursed for the expense of shipping certain personal items to Washington. This supplemented the arrangements described in a letter to the San Francisco Reserve Bank which was sent pursuant to approval of the Board on December 19, 1960.

Memorandum dated January 26, 1961, from the Division of Research and Statistics, as amended by a memorandum from the Controller dated January 30, 1961, recommending that the services of Nancy H. Teeters in the Government Finance Section of that Division be retained until December 31, 1961, on the same contractual basis as previously approved by the Board (\$4 per hour), with the understanding that the situation would be reviewed again at the end of the year.

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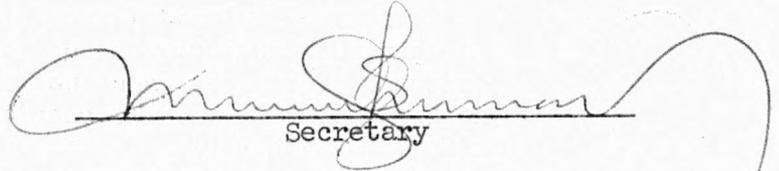
Memoranda from appropriate individuals concerned recommending the following items relating to the Board's staff:

Salary increase

Rebie A. Windsor, Assistant Supervisor, Motor Transport Unit, Division of Administrative Services, from \$4,390 to \$4,565 per annum.

Military leave

Levon H. Garabedian, General Assistant, Division of Research and Statistics, granted leave of absence without pay beginning February 5, 1961, for an anticipated six months' tour of duty with the military forces, with no payment of unearned salary.


Secretary

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

Item No. 1
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961

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

Dear Mr. Groot:

Reference is made to your letter of December 29, 1960, recommending approval by the Board of Governors of a dividend of \$102,375, declared on August 25, 1959, payable September 30, 1959, and a dividend of \$117,000, declared on November 24, 1959, payable December 31, 1959, by Valley Bank and Trust Company, Springfield, Massachusetts, under the provisions of Section 9 of the Federal Reserve Act and Section 5199 U.S.R.S. The dividend declared August 25, 1959, would not be subject to the law since it was declared prior to the law's enactment September 8, 1959.

In view of the circumstances outlined in your letter, the Board concurs in your favorable recommendation and approves the payment of the above-mentioned dividend declared on November 24, 1959. It is suggested that the member bank be advised that it must request permission in advance of any future declaration of dividends as long as it is subject to the prohibition of this statute.

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
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 1, 1961

Board of Directors,
The Florida National Bank
at Lakeland,
Lakeland, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Florida National Bank at Lakeland authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida. 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. 3
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961

Board of Directors,
The First National Bank of Hays City,
Hays, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Hays City authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Kansas. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 4
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961



Board of Directors,
The Ouachita National Bank
in Monroe,
Monroe, Louisiana.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Ouachita National Bank in Monroe authority to act, when not in contravention of State or local law, as trustee, executor, administrator, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Louisiana. 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.

In addition to the fiduciary powers herein authorized, the bank was granted authority, on September 19, 1951, to act as trustee for bond issues and registrar of stocks and bonds.

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
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961

Board of Directors,
Peoples State Bank of
East Tawas,
East Tawas, Michigan.

Gentlemen:

Pursuant to your request, the Board of Governors of the Federal Reserve System further extends the time within which Peoples State Bank of East Tawas may establish a branch at 410 Lake Street, Tawas City, Michigan, to April 16, 1961, under the authorization contained in the Board's letter dated November 2, 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. 6
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961



Board of Directors,
Milwaukee County Bank,
West Allis, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by Milwaukee County Bank, through its wholly owned affiliate, West Greenfield Corporation, of \$162,000, for the purchase of property for additional customer parking space.

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
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961



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

Dear Mr. Mangels:

This refers to your letter of January 20, 1961,
concerning the program at the Los Angeles Branch to provide
additional parking facilities for the night force.

It is noted that the building adjacent to the Branch
on Grand Avenue, which has been vacated by the former tenant,
will be used as a parking garage and that also arrangements
are being made to rent an additional 20 spaces in the same
lot where 30 spaces are now being rented.

The Board has no objection to the arrangement for
renting more parking space at this time nor, as the night
force is further expanded, to renting some additional parking
space, pending a more permanent solution of the problem.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 8
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961



Board of Directors,
Linden Trust Company,
Linden, New Jersey.

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 Union County Trust Company, Elizabeth, New Jersey, into Linden Trust Company, Linden, New Jersey, under the charter of the latter and title of Union County Trust Company.

The Board of Governors also approves the operation of branches by Union County Trust Company at the following locations:

350 Westminster Avenue, Elizabeth, New Jersey
609 Westfield Avenue, Elizabeth, New Jersey
715 Elizabeth Avenue, Elizabeth, New Jersey
30 Maple Street, Summit, New Jersey
201 Wood Avenue, North, Linden, New Jersey
100 South Avenue, East, Cranford, New Jersey
350 Springfield Avenue, Berkeley Heights, New Jersey

The Board of Governors also approves the proposed reduction in capital of Linden Trust Company as contemplated in the Agreement of Merger.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Linden Trust Company

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This approval is given provided: (1) the proposed merger is effected within six months from the date of this letter and substantially in accordance with the Agreement of Merger and (2) shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition.

Very truly yours, .

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 9
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 1, 1961

Board of Directors,
Petersburg Savings and American
Trust Company,
Petersburg, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, finds the transaction to be in the public interest and grants its consent to the merger of The Bank of Hopewell, Hopewell, Virginia, into and under the charter and title of Petersburg Savings and American Trust Company, Petersburg, Virginia. The Board of Governors also approves the operation of branches by Petersburg Savings and American Trust Company, Petersburg, Virginia, at the present main office of The Bank of Hopewell at 110 North Main Street, Hopewell, Virginia, and a drive-in, walk-in facility at the intersection of 15th Avenue and City Point Road, Hopewell, Virginia.

This approval is given provided (1) the transaction is effected substantially in accordance with "ARTICLES OF MERGER of THE BANK OF HOPEWELL into PETERSBURG SAVINGS AND AMERICAN TRUST COMPANY" executed by parties to the proposed merger on November 17, 1960, and provided the transaction is consummated within six months from the date of this letter, and (2) shares of stock acquired from dissenting stockholders are disposed of within six months from date of acquisition.

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. 10
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961

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

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 30, 1960, enclosing copies of an application to organize a national bank at Duncanville, Texas, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by a representative of the Federal Reserve Bank of Dallas indicates generally favorable findings with respect to the factors usually considered in connection with such proposals. However, it is reported that an application is pending for the establishment of a State bank in Duncanville, and on the basis of information available, only one bank is needed. In the circumstances, the Board of Governors recommends favorable consideration of the application to organize a national bank in Duncanville provided only one bank is to be established in the community at this time.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 11
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961



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

Dear Mr. Groot:

In accordance with the request contained in your letter of January 26, 1961, the Board approves the appointment of Cornelius A. Comstock, Jr., as an assistant examiner for the Federal Reserve Bank of Boston. 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. 12
2/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1961



Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of January 25, 1961, the Board approves the designation of the following employes as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks only:

Joseph V. Murray	W. Carey Funderburk
Woody Y. Cain	Charles D. Koonce, Jr.
Jefferson A. Walker	Robert F. Stratton
Joseph V. Murray, Jr.	

The name of R. W. Shearer has been deleted from the list of special assistant examiners, as requested.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.