

Minutes for February 3, 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

(M)
MS

Gov. Szymczak

MS

Gov. Mills

MS

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

CS

Gov. King

MS

Minutes of the Board of Governors of the Federal Reserve System
on Friday, February 3, 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of
Research and Statistics
Mr. Koch, Adviser, Division of Research
and Statistics
Mrs. Semia, Technical Assistant, Office
of the Secretary
Mr. Eckert, Chief, Banking Section,
Division of Research and Statistics
Mr. Yager, Economist, Division of Research
and Statistics

Money market review. Mr. Yager discussed developments in the Government securities market, including the Treasury's announcement of its February financing plans, after which Mr. Thomas commented on factors affecting the level of bank reserves.

Messrs. Young, Shay, Eckert, and Yager then withdrew from the meeting, and Messrs. Solomon, Director, Division of Examinations, Hexter, Assistant General Counsel, and Rudy, Special Assistant, Legal Division, entered the room.

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Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on February 2, 1961, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Economic seminar. In a memorandum dated February 1, 1961, which had been distributed, Mr. Noyes suggested that the Board might wish to authorize the staff to plan a seminar with a group of academic economists in June 1961. The memorandum noted that the report of the Commission on Money and Credit was expected to be available by that time and probably would provide ample material for discussions of mutual interest. However, it was thought that it would be desirable to pose at least one major subject for discussion, and for that purpose "the relation of general liquidity to monetary policy formulation" was suggested.

Chairman Martin opened the discussion by stating that, although he was usually in favor of meetings such as the one proposed, in his opinion the proposed seminar with academic economists might preferably be postponed until later in the year. After setting forth the reasons for this view, Chairman Martin suggested that in the alternative a seminar for economists within the System might be desirable, particularly if the discussion could be focused on some particular problem.

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There was general agreement with the position taken by Chairman Martin. In this connection, Governor Robertson expressed the view that it would be helpful to have two intra-System seminars a year as a regular practice, with the discussion directed toward specific and pertinent problems. Other members of the Board expressed concurrence, and the staff was thereupon authorized to proceed accordingly, with the understanding that the first such seminar would be held early in the summer of 1961.

Messrs. Thomas, Molony, Noyes, and Koch then withdrew from the meeting.

BancOhio-Prairie Land Company (Item No. 1). A memorandum dated February 2, 1961, from the Legal Division had been distributed in connection with the plans for disposition by BancOhio Corporation, Columbus, Ohio, of Prairie Land Company, a nonbanking subsidiary, as required by section 4(a)(2) of the Bank Holding Company Act of 1956. The memorandum pointed out that on December 8, 1960, the Board informed BancOhio Corporation that the proposed liquidation of Prairie Land Company and transfer of the Company's Louisiana real estate to a pension trust maintained for the benefit of the employees of BancOhio Corporation and its affiliates would meet the divestment requirements of section 4(a)(2). The trustee of the pension trust was The Ohio National Bank, Columbus, Ohio, a subsidiary of BancOhio Corporation. However, BancOhio informed the Board in a letter dated

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January 16, 1961, that the proposed arrangement was not feasible because it had been learned that under Louisiana law the trustee of the pension trust, Ohio National Bank of Columbus, could not act as trustee of real property located in Louisiana. Therefore, BancOhio now proposed to transfer the shares of Prairie Land Company to the trust rather than its real property. It was the view of the Legal Division that the proposed alternative arrangement would come within the exception in section 4(c)(4) of the Bank Holding Company Act and thus would comply with the divestment requirements of section 4(a)(2). A draft of letter to BancOhio Corporation expressing that opinion was submitted with the memorandum.

During discussion, Governor Mills inquired whether there was any possibility that the proposed arrangement would set a precedent under which, for example, a holding company that was required to divest itself of a nonbanking interest could instead transfer that interest to a subsidiary to be held in a fiduciary capacity.

Mr. Rudy replied that consideration had been given to that aspect of the matter. However, the trust to which the shares of Prairie Land Company would be transferred was a legitimate type of trust, established under provisions of the Internal Revenue Code for the benefit of employees of BancOhio Corporation and its affiliates. There was no indication that BancOhio Corporation could control the trust or use it for improper purposes. In any similar cases that might arise in the future, the Board

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could, of course, analyze the specific proposal to determine whether it appeared that the bank holding company concerned was seeking to accomplish through a fiduciary arrangement something that it could not do directly.

After further discussion, the letter to BancOhio Corporation was approved unanimously. A copy is attached as Item No. 1.

Application of Dauphin Deposit Trust Company (Item No. 2).

Governor Balderston referred to the discussion by the Board at the meeting on February 2, 1961, of the proposed merger of Dauphin Deposit Trust Company with Camp Curtin Trust Company, both of Harrisburg, Pennsylvania. At that meeting Chairman Martin and Governors Szymczak, Robertson, and Shepardson had been disposed to deny the application, while Governors Balderston, Mills, and King had been disposed to grant it. In these circumstances, the Board had deferred a decision in order that the Federal Reserve Bank of Philadelphia, which had recommended favorably, might be informed of the Board's thinking and asked if there was any additional information it wished to submit. Accordingly, the Division of Examinations had communicated with the Reserve Bank.

Governor Balderston stated that this morning he received a telephone call from President Bopp of the Philadelphia Reserve Bank, from which it appeared that there was no additional information that the Bank wished to submit. However, Mr. Bopp had suggested that if it would be helpful to the Board, Vice President Campbell could come

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to Washington and explain fully why the Bank Examination Department had arrived at a favorable recommendation on the basis of the facts before it.

During discussion, there was general concurrence in the view that the position of the Reserve Bank had already been set out adequately and that, since the Bank apparently had no additional information to present, there would be little advantage in requesting that Vice President Campbell come to Washington. It was understood that Governor Balderston would inform President Bopp accordingly.

The Board then voted to deny the application of Dauphin Deposit Trust Company, Chairman Martin and Governors Szymczak, Robertson, and Shepardson voting for denial and Governors Balderston and Mills voting for approval. A copy of the letter sent to Dauphin Deposit Trust Company pursuant to this action is attached as Item No. 2.

The meeting then adjourned.

Secretary's Notes: Later in the day Mr. Solomon, Director, Division of Examinations, received a telephone call from Vice President Denmark of the Federal Reserve Bank of Atlanta who advised that the Pan American Bank of Miami, Miami, Florida, had inquired whether there would be any objection to making its copy of the most recent report of examination of the bank available to the Irving Trust Company, New York, New York, for review on a confidential basis in connection with the proposed financing by Irving Trust Company of the purchase of shares of Pan American Bank by parties interested in obtaining control of the bank. It was understood by the Reserve Bank that Irving Trust Company had requested that the report be made available to it for this purpose. Due to the indicated urgency of a reply, the Secretary of the Board discussed the matter with each

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member of the Board who was present at this morning's meeting, and it was ascertained that in the circumstances there would be no objection to allowing the report to be made available to Irving Trust Company for the purpose indicated if the Pan American Bank was agreeable. Accordingly, a telegram in the form attached as Item No. 3 was sent to Vice President Denmark.

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

Telegram to the Federal Reserve Bank of San Francisco (attached Item No. 4) approving the reappointment of Jack A. Byers as assistant examiner.

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

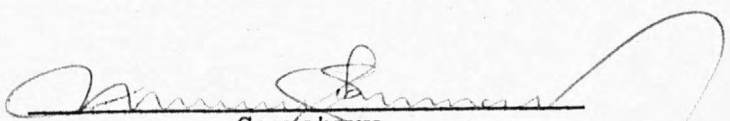
Transfer and salary increase

Norma L. Neitzey, from the position of Secretary in the Division of Examinations to the position of Secretary in the Legal Division, with an increase in basic annual salary from \$5,335 to \$5,655, effective February 5, 1961.

Salary increase

Ruth E. Morris, Secretary, Board Members' Offices, from \$5,820 to \$6,015 per annum, effective February 5, 1961.

Elizabeth B. Sette, Chief, Economic Editing Unit, Division of Research and Statistics, from \$9,475 to \$10,635, effective February 5, 1961.


Secretary

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

Item No. 1
2/3/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 3, 1961

Mr. Derrol R. Johnson, President,
BancOhio Corporation,
51 North High Street,
Columbus 15, Ohio.

Dear Mr. Johnson:

This refers to your Corporation's letter of January 16, 1961, submitting a plan concerning Prairie Land Company and inquiring whether the proposal would meet the requirements of section 4(a)(2) of the Bank Holding Company Act of 1956. The transmittal letter points out that the proposal is subject to a determination by the Commissioner of Internal Revenue that the transfer will not disqualify the trust under section 401(a) of the Internal Revenue Code.

The Board understands that the following are the material facts: Prairie Land Company is a nonbanking subsidiary of BancOhio Corporation, a bank holding company. All of the shares of Prairie Land Company will be transferred to the "Retirement Trust for Employees of BancOhio Corporation and Affiliated Banks". The trustee for the retirement trust is The Ohio National Bank of Columbus, Columbus, Ohio, a banking subsidiary of BancOhio Corporation. The retirement trust is a qualified employee's pension plan under section 401(a) of the 1954 Internal Revenue Code. The plan differs from the one submitted in your Corporation's letter of November 16, 1960, in that the shares of Prairie Land Company will be transferred to the retirement trust instead of liquidating Prairie Land Company and transferring its real property to the trust.

It is the Board's opinion, based on the foregoing facts, that the transfer of all the shares of Prairie Land Company to the retirement trust will terminate the relationship between BancOhio Corporation and Prairie Land Company, prohibited by section 4(a)(2) of the Bank Holding Company Act of 1956, and that the acquisition of the shares by the retirement trustee



Mr. Derrol R. Johnson

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(a banking subsidiary of BancOhio) in a fiduciary capacity will come within the exception in section 4(c)(4) of the Act.

It is requested that the Board be advised through the Federal Reserve Bank of Cleveland when the shares of Prairie Land Company have been transferred to the retirement trust.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
2/3/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 3, 1961

Board of Directors,
Dauphin Deposit Trust Company,
Harrisburg, Pennsylvania.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of Philadelphia for consent under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, to merge with Camp Curtin Trust Company, Harrisburg, Pennsylvania, and for approval to operate branches by Dauphin Deposit Trust Company in the present locations of the offices of Camp Curtin Trust Company.

After reviewing this proposal in the light of all the factors to be considered under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, the Board of Governors does not feel justified in giving its consent to the proposed transaction.

Despite certain favorable aspects of the proposal, it is the Board's judgment that those favorable factors are insufficient to counterbalance other effects of the transaction, including a lessening of competition, the elimination of one alternative source of banking facilities in Harrisburg, and a further increase in concentration of the commercial banking resources of the area in one institution. For these reasons the Board does not find the transaction to be in the public interest.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 3
2/3/61T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

February 3, 1961

Denmark - Atlanta

In response to your telephone call of today to Mr. Solomon you are authorized to advise Pan American Bank, Miami, that, if agreeable to Pan American Bank, Board of Governors would not have any objection to the examination report of Pan American Bank being made available on a confidential basis to Irving Trust Company, New York, to aid in supplying information in connection with proposed financing by Irving Trust of purchase of shares of Pan American Bank.

(Signed) Merritt Sherman
Sherman

TELEGRAM
LEASED WIRE SERVICE

Item No. 4
2/3/61

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

February 3, 1961

Swan - San Francisco

Rcurlet January 30, 1961, Board approves reappointment of
Jack A. Byers as assistant examiner for Federal Reserve
Bank of San Francisco. Please advise date appointment is
made effective.

(Signed) Kenneth A. Kenyon
Kenyon