Minutes for February 9, 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, February 9, 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. Molony, Assistant to the Board
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. Hexter, Assistant General Counsel
Mr. Garfield, Adviser, Division of Research and Statistics
Mr. Brill, Associate Adviser, Division of Research and Statistics
Mr. Williams, Associate Adviser, Division of Research and Statistics
Mr. Knipe, Consultant to the Chairman
Mr. Landry, Assistant to the Secretary
Mr. Petersen, Special Assistant, Office of the Secretary
Mr. Sigel, Chief, Flow of Funds and Savings Section, Division of Research and Statistics
Mr. Weiner, Chief, National Income, Labor Force, and Trade Section, Division of Research and Statistics
Mr. Leavitt, Supervisory Review Examiner, Division of Examinations

Projections of economic developments. Messrs. Brill, Sigel, and Weiner presented descriptive statements of a sequence of financial and
developments that might be expected to occur in the remainder of 1961 and the first half of 1962 on the basis of certain hypothetical projections, as set forth in a series of tables and charts distributed by the Division of Research and Statistics under today's date.

At the conclusion of the presentation, Messrs. Thomas, Young, Molony, Fauver, Noyes, Garfield, Brill, Williams, Knipe, Weiner, Sigel, and Petersen withdrew from the meeting.

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

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<th>Item No.</th>
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<td>1</td>
<td>Letter to Chemical Bank New York Trust Company, New York City, approval extension</td>
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<td>of time to establish branch in Jackson Heights, Borough of Queens.</td>
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<td>2</td>
<td>Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approval</td>
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<td>establishment of branch at 251-53 South Twenty-fourth Street, and investment in bank</td>
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<td>premises.</td>
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<td>3</td>
<td>Letter to Belmont County National Bank, St. Clairsville, approval application for</td>
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<td>fiduciary powers.</td>
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<td>4</td>
<td>Letter to Cheyenne National Bank, Cheyenne, Wyoming, approval application for</td>
</tr>
<tr>
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<td>fiduciary powers.</td>
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Application to organize a national bank at Fort Worth, Texas.

There had been circulated a file relating to an application to the Comptroller of the Currency for permission to organize a national bank in an outlying district of Fort Worth, Texas. Included in the file was a memorandum from the Division of Examinations dated January 30, 1961, recommending, as did the Federal Reserve Bank of Dallas, that the Board make an unfavorable recommendation on the application to the Comptroller of the Currency. When the file was in circulation, Governors Balderston and Robertson questioned the adverse recommendation.

In commenting on the matter, Mr. Solomon noted that although a case could be made for a favorable recommendation in this instance, it seemed to the Division of Examinations, after study of all available information, that on balance an unfavorable recommendation was called for at this time. In support of this view, he cited the satisfactory service apparently being rendered to the trade area by the existing Ridgelea State Bank, which had around $12 million in deposits, and the fact that in June 1960 the State banking authorities had turned down an application for a State charter by the group now seeking to organize a national bank. This group represented the second largest banking organization in the Fort Worth area, whereas the existing bank was affiliated with a smaller bank in Fort Worth. He also noted that although the argument had been advanced in support of the application
that the area was growing economically, most of this growth appeared to
be prospective rather than immediate.

Governor Balderston remarked that the ratio of banks to popu-
lation in the Fort Worth area was less favorable than in many parts of
the United States and that the trade area of the existing Ridgelea State
Bank apparently included some 30,000 persons. Given these facts, and in
view of his general philosophy that a group of responsible businessmen
wishing to embark upon an enterprise of this kind, particularly in a
State prohibiting branch banking, should be permitted to go ahead, he
believed a favorable recommendation to the Comptroller of the Currency
was in order.

Governor Mills said that he was inclined to agree with the
recommendation of the Division of Examinations on the grounds that the
banking needs of the trade area concerned appeared to be adequately
served at present and competition from a second bank might damage the
existing institution. As a more general observation, he thought it
might be beneficial to the public interest to discourage contention
among competing financial interests in Texas that were striving to
establish banks.

Governor Robertson expressed the view that it was in the public
interest to provide competition in banking. Although the existing bank
might lose some deposits following establishment of the proposed bank,
it was also possible that it might gain deposits in an area where continued
growth was indicated. He noted that there was nothing in the record
reflecting unfavorably on the proponents, who appeared to have the
financial resources and ability to operate a bank. For these reasons,
he believed a favorable recommendation should be made to the Comptroller
of the Currency.

Governor Shepardson indicated that he also was inclined toward a
favorable recommendation to the Comptroller in this instance. He thought
that the area would probably continue to grow if it followed the pattern
of the past 10 years. Although he was hesitant to go against the recom-
mandation of the Reserve Bank, because of the growth factor it did not
seem to him proper to restrain the enterprise of a group of competent
and reputable businessmen.

Governor Szymczak indicated that he would support an unfavorable
recommendation to the Comptroller in this case on the basis of the views
of the Division of Examinations and the Federal Reserve Bank of Dallas.
He noted that the Board was simply making a recommendation and that the
Comptroller of the Currency would make the actual decision.

Chairman Martin said that he also would support an unfavorable
recommendation to the Comptroller in this case, not only because he
disliked to go against the recommendation of the Reserve Bank on the
scene but also because of his belief that the commercial banking
industry had certain distinct characteristics that set it apart from other industries so far as the theory of open competition was concerned. For this reason, he felt that entry into the field should be subject to appropriate regulation and that the burden of proof should be on the proponents of a new bank.

It being indicated that the sentiment within the Board was divided on the question of the recommendation that should be made to the Comptroller of the Currency in this case, it was decided to ascertain whether the Federal Reserve Bank of Dallas would like to provide any additional information relating to the application and that the matter would then be considered again when all of the members of the Board were present.

Classification of cities for reserve purposes. Governor Balderston reported a conversation with President Allen of the Federal Reserve Bank of Chicago concerning the status of requests for permission to maintain reduced reserves that had been made by certain member banks in Chicago. These cases had been deferred by the Board pending the establishment of general standards for the classification of reserve cities and the declassification of banks in such cities.

In the light of Governor Balderston's comments, the suggestion was made that at an early date the Board give further consideration to the establishment of standards for the classification of reserve cities on the basis of information that had been made available by the staff.
since the subject was previously discussed, and it was agreed that the matter would be considered next week at a time when all of the members of the Board were present.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Dallas (attached Item No. 5) approving the appointment of Sidney M. Dean as assistant examiner.
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 August 15, 1961, the time within which Chemical Bank New York Trust Company, New York, New York, may establish a branch at the northeast corner of Northern Boulevard and 93rd Street, Jackson Heights, Borough of Queens, New York, New York, as approved by the Board in its letter of February 15, 1960. It is understood that operations of the branch located at 103-02 Northern Boulevard, Corona, Borough of Queens, New York, New York, will be discontinued simultaneously with the opening of the branch at the northeast corner of Northern Boulevard and 93rd Street, Jackson Heights, Borough of Queens, New York, New York.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.
Board of Directors,  
Fidelity-Philadelphia  
Trust Company,  

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves (1) the establishment of a branch at 251-53 South Twenty-Fourth Street, Philadelphia, Pennsylvania, and (2) an additional investment of $25,000 in bank premises incident to the establishment of the branch, under the provisions of Section 24A of the Federal Reserve Act, by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania. This approval is given provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.
Board of Directors,
Belmont County National Bank,
St. Clairsville,
St. Clairsville, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Belmont County National Bank, St. Clairsville, 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 Ohio. 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.
February 9, 1961

Board of Directors,
Cheyenne National Bank,
Cheyenne, Wyoming.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Cheyenne National Bank authority to act, when not in contravention of State or local law, as executor, administrator, guardian of estates, and committee of estates of lunatics. 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.
Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Station K,  
Dallas 2, Texas.

Dear Mr. Pondrom:

In accordance with the request contained in your letter of February 3, 1961, the Board approves the appointment of Sidney M. Dean as an assistant examiner for the Federal Reserve Bank of Dallas, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.