

Minutes for March 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.

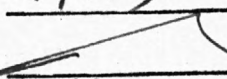
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

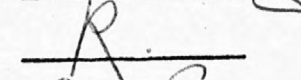
Chm. Martin



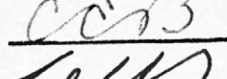
Gov. Szymczak



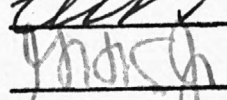
Gov. Mills



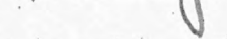
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. King

Minutes of the Board of Governors of the Federal Reserve System
on Friday, March 3, 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. Thomas, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Holland, Adviser, Division of Research
and Statistics
Mr. Koch, Adviser, Division of Research
and Statistics
Mr. Landry, Assistant to the Secretary
Mr. Eckert, Chief, Banking Section, Division
of Research and Statistics
Mr. Yager, Economist, Division of Research
and Statistics

Report on money market. Mr. Yager reported on recent develop-
ments in the money market, following which Mr. Eckert presented a report
on member bank reserves, bank loans and investments, and the money supply.

At the conclusion of these reports, Messrs. Thomas, Noyes, Holland,
Koch, Eckert, and Yager withdrew from the meeting and the following entered
the room:

Mr. Hackley, General Counsel
Mr. Masters, Associate Director, Division
of Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations
Mr. Smith, Legal Assistant

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Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on March 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.

Item circulated to the Board. The following item, which had been circulated to the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to Manufacturers Trust Company, New York City, approving the establishment of a branch at 515 Madison Avenue, Borough of Manhattan.

Application to organize a national bank at Dania, Florida
(Item No. 2). At the meeting on Tuesday, February 28, following an indication that a favorable view on the proposed organization of a national bank at Dania, Florida, might be transmitted to the Comptroller of the Currency rather than an adverse recommendation, as suggested by the Federal Reserve Bank of Atlanta and the Division of Examinations, it was understood that the Reserve Bank would be invited to make any further comments that it desired regarding the application. A memorandum from Mr. Masters had been distributed to the Board under date of March 1, 1961, reporting on a telephone conversation with the Reserve Bank pursuant to the foregoing understanding.

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Mr. Masters commented on his memorandum, noting in his remarks that the Reserve Bank had nothing to add which would change in any material way the adverse recommendation it had made. The Reserve Bank did, however, emphasize the relatively minor financial stake that the supporters would have in the new bank, the fact that the proposed board of directors did not seem too strong, and the rather poor earnings prospects. It was the view of the Reserve Bank, Mr. Masters said, that the Dania community could probably support another commercial bank. However, the management and prospects of the proposed institution did not measure up to the standards the Reserve Bank would like to see maintained for newly organized banks in the area.

Governor Mills stated that he was willing to accept the unfavorable recommendation of the Federal Reserve Bank of Atlanta in consideration of the fact that the Bank had reiterated its views on the application, which were based on analysis of a field investigation of the circumstances involved.

Following a brief discussion, during which it was agreed that the proposed letter to the Comptroller of the Currency recommending unfavorably with respect to the application should be changed to avoid indicating doubt concerning the ability of the community to support a new bank organized under strong auspices, unanimous approval was given to a letter in the form attached as Item No. 2.

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Application to organize a national bank at Greeley, Colorado

(Item No. 3). At the meeting on March 2, 1961, question had been raised regarding the adverse recommendations of the Federal Reserve Bank of Kansas City and the Division of Examinations with respect to an application to organize a national bank at Greeley, Colorado. Pursuant to the understanding reached at that meeting, the Reserve Bank had been asked whether it had any further comment or additional information relevant to the application. Under date of March 2, 1961, a memorandum from Mr. Masters had been distributed informing the Board of the Reserve Bank's views.

Mr. Masters said the Reserve Bank had reiterated its belief that there was no need for an additional bank in the proposed location at the present time or in the foreseeable future. It was the consensus of those at the Reserve Bank acquainted with the area that a bank so located could not develop enough business to justify its existence; the shopping center now under construction in the area where the bank would be located was reported to contain only a relatively few retail units. The city was currently served by three banks, and the needs of the residential area where the proposed bank would be located were being serviced without inconvenience to the banking public.

Governor Mills said that on the basis of the same reasoning he had expressed with respect to the Dania, Florida, application, he would be willing to accept the adverse recommendation of the Federal Reserve Bank of Kansas City in this case.

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There being concurrence with this view, the letter to the Comptroller of the Currency recommending unfavorably with respect to the application was approved unanimously. A copy of the letter is attached as Item No. 3.

Application of New York Holding Corporation. Distribution had been made under date of February 24, 1961, of a memorandum from the Legal Division concerning the question of conducting a hearing on an application by New York Holding Corporation, White Plains, New York, pursuant to section 3(a) of the Bank Holding Company Act, for the Board's prior approval of action whereby the corporation would become a bank holding company through acquisition of the capital stock of Wall Street Trust Company, New York, New York, and Main Street Trust Company, White Plains, New York, "shell" corporations which were in process of organization under the banking laws of the State of New York. (In conjunction with this application, Bankers Trust Company of New York City and The County Trust Company of White Plains had applied for consent to merge with Wall Street Trust Company and Main Street Trust Company, respectively.) Notification of receipt of the application had been transmitted to the Federal Register for publication, to the Department of Justice, and to the Superintendent of Banks for the State of New York, together with a request for the latter's views on the application, and requests for views on the competitive factors involved in the two related merger applications had been made of the

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Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the United States Attorney General.

It was the suggestion of the Legal Division that a public hearing might be appropriate, this view being based on the prospect of wide-spread public interest in the proposed transaction and the fact that two somewhat similar transactions in the State of New York also were pending. One of these involved the formation of a holding company to acquire six banks, including Morgan Guaranty Trust Company of New York and five banks in upper New York State, and the other involved a merger between First National City Bank of New York and the National Bank of Westchester, White Plains, New York.

It was pointed out in the memorandum that if the Board should order a public hearing on the application of New York Holding Corporation the following questions would be presented: (1) whether the applicant should be permitted to submit certain data in confidence; (2) whether the hearing would be limited to those factors usually considered in a section 3(a) hearing or be extended to include issues pertaining to the related merger applications; and (3) the choice of a hearing examiner. On the question of the issues concerning which evidence would be received, it was the judgment of the Legal Division that the two sets of statutory factors required to be considered under section 3(a) of the Bank Holding Company

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Act and section 18(c) of the Federal Deposit Insurance Act, as amended, were sufficiently similar to preclude the need for a separate designation of the latter even if the Board wished to receive evidence related to the mergers. So far as the problem of maintaining the confidentiality of designated portions of the application was concerned, the memorandum pointed out that if a public hearing were ordered the application would be introduced into the hearing record as an exhibit, and unless otherwise arranged the entire content of the application would be available to public scrutiny. It was proposed in the memorandum that the portion which applicant would like kept in confidence could, with the concurrence of the hearing examiner, be received in a confidential portion of the hearing record and entered in a "blinded" form in the public record. Finally, with regard to the question of designating a hearing officer, the memorandum noted that from informal discussion with Hearing Examiner Charles W. Schneider of the National Labor Relations Board, it had been ascertained that Mr. Schneider's present workload apparently would permit his undertaking an assignment of this kind. Assuming Mr. Schneider's availability, it was the judgment of the Legal Division that his experience in conducting other hearings under the Bank Holding Company Act would prove beneficial.

At the Board's request, Mr. O'Connell summarized the considerations which suggested that a public hearing on the application would be appropriate,

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following which he and Mr. Hackley replied to a number of questions raised by members of the Board with regard to various aspects of the application and related matters.

At the conclusion of the discussion, the unanimous view was expressed that a public hearing should be held, and it was indicated that the related procedures suggested in the Legal Division's memorandum were agreeable to the Board. Accordingly, it was understood that preliminary arrangements for the hearing would be made, that the Board would be advised thereof, and that a notice of hearing would be submitted for the Board's consideration.

The meeting then adjourned.

Secretary's Notes: It having been ascertained, pursuant to the action taken by the Board on February 8, 1961, that Mr. Judson Bemis, President of Bemis Bro. Bag Company, Minneapolis, Minnesota, would accept appointment, if tendered, as Class C director of the Federal Reserve Bank of Minneapolis for the unexpired portion of the three-year term ending December 31, 1963, an appointment telegram was sent to Mr. Bemis today.

The Board's letter of December 9, 1960, transmitted to the Federal Reserve Banks copies of reports of earnings and dividends (Form F.R. 107) for use by State member banks in submitting reports for the calendar year 1960. Governor Shepardson approved today on behalf of the Board a letter to the Reserve Banks advising that there were being transmitted under separate cover copies of a memorandum and attachments announcing and explaining the nature of changes in the earnings and dividends form and instructions to be used by State member banks in making reports for the first half of 1961. The letter suggested that copies of the memorandum and attachments be distributed to all State member banks to assist them in making any changes in accounting procedures

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that might be necessary to report the information requested on the new form, such distribution to be coincident with the mailing of similar information to national banks by the Office of the Comptroller of the Currency.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items relating to the Board's staff:

Salary increases

Office of the Secretary:

Ruth D. Stone, Secretary, from \$5,820 to \$6,150 per annum, effective March 19, 1961.

Division of Administrative Services, effective March 5, 1961:

Vera Dulin, from \$4,130 to \$4,285 per annum, with change in title from Cashier to Supervisor, Cafeteria.

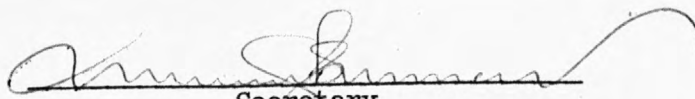
Theresa S. Elting, Cafeteria Helper, from \$1,803 to \$3,290 per annum, with change in status from part-time to full-time.

Winnie Tull, from \$4,445 to \$4,600 per annum, with change in title from Junior Supervisor to Supervisor, Cafeteria.

Geraldine M. Venable, from \$3,815 to \$3,920 per annum, with change in title from Cafeteria Helper to Clerk-Cashier.

Acceptance of resignation

Dorothy Mosher, Charwoman, Division of Administrative Services, effective at the close of business March 3, 1961.


Secretary

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

Item No. 1
3/3/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 3, 1961



Board of Directors,
Manufacturers 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 approves the establishment of a branch by Manufacturers Trust Company, New York, New York, at 515 Madison Avenue, Borough of Manhattan, New York, New York, provided the branch is established within six months from the date of this letter.

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
3/3/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 3, 1961

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

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency

Dear Mr. Comptroller:

Reference is made to a letter of your office dated September 8, 1960, enclosing copies of an application to organize a national bank at Dania, Florida, 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 an examiner for the Federal Reserve Bank of Atlanta indicates that the proposed capital structure of the bank would be adequate. However, it is noted that the sponsors would have, in the aggregate, only a small financial interest in the proposed bank. Moreover, the proposed Board of Directors is not impressively strong and satisfactory arrangements for operating management of the institution have not been made. In view of the unfavorable factors, the Board of Governors does not feel justified in recommending approval of the application.

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. 3
3/3/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 3, 1961



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

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated October 18, 1960, enclosing copies of an application to organize a national bank at Greeley, Colorado, 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 Kansas City indicates favorable findings with respect to the proposed capital structure and management of the bank. However, the information indicates that ample banking facilities are available in Greeley at the present time and the prospects for satisfactory operations and need for the proposed bank are not very favorable. In the circumstances, the Board of Governors does not feel justified in recommending approval of the application.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.