Minutes for March 10, 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 10, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
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. Noyes, Director, Division of Research and Statistics
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Yager, Economist, Division of Research and Statistics

Money market review. Mr. Yager reported on developments in the Government securities market, following which Mr. Thomas reviewed the bank credit situation.

Messrs. Thomas, Young, Noyes, Koch, and Yager then withdrew from the meeting and Messrs. Hackley, General Counsel, Solomon, Director, Division of Examinations, Masters, Associate Director, Division of Examinations, O'Connell and Hooff, Assistant General Counsel, Rudy, Special Assistant, Legal Division, and Leavitt, Assistant Director, Division of Examinations, entered the room.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and Dallas on March 9, 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.

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

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Letter to Littlestown State Bank and Trust Company, Littlestown, Pennsylvania, granting its request for permission to exercise fiduciary powers. (The Federal Reserve Bank of Philadelphia was requested not to transmit this letter to the member bank until 10,000 shares of new capital stock had actually been issued.)</td>
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<td>2</td>
<td>Letter to Deposit Guaranty Bank &amp; Trust Company, Jackson, Mississippi, approving the establishment of two branches, one in the vicinity of Northside Drive and Old Canton Road and the other in the vicinity of McDowell and McFadden Roads.</td>
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<td>3</td>
<td>Letter to The First National Bank in Golden, Golden, Colorado, approving its supplemental application for fiduciary powers.</td>
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<tr>
<td>4</td>
<td>Letter to California Bank, Los Angeles, California, approving the establishment of a branch in Long Beach.</td>
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<tr>
<td>5</td>
<td>Letter to The Oregon Bank, Portland, Oregon, interposing no objection to an extension of time within which to effect an increase in the bank's capital funds.</td>
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With respect to Item No. 2, Governor Robertson said he would resolve his doubts on this matter in favor of approving the branch applications of Deposit Guaranty Bank & Trust Company on the basis that the branches involved a rather small investment and that there had been
some increase in the bank's capital, with the possibility that additional capital would be injected from time to time. Further, the special comments in the Board's letter of approval would clearly specify that permission to establish the branches was not an indication of approval of the bank's capital position. Other members of the Board concurred in the comments of Governor Robertson.

Study of branch banking in California and related matters. In connection with the Board's approval of the application of California Bank, Los Angeles, California, for permission to establish a branch in Long Beach (Item No. 4), Governor Robertson expressed the view that a need existed for consideration by the bank supervisory agencies concerned, both Federal and State, of the expansion of branch banking in the State of California and the manner in which the banking structure of that State was developing.

Other Board members having expressed concurrence in this view, various suggestions were explored as to the most effective way of proceeding. It was pointed out in this connection that the establishment of a policy by the Board with respect to branch applications would have the effect of discriminating against State member banks unless such a policy was also adopted by the other Federal supervisory agencies. At the same time, the view was expressed that interagency conferences might not be productive unless the Board had analytical material available that would indicate the nature of the problem and support such guidelines for supervisory practices as the Board might want to suggest.
There followed a discussion during which various possibilities were explored with regard to the manner in which a study might be made and the ground that should be covered by such a study. Among other things, reference was made to the possibility of utilizing information on the relationship between banking offices and population in leading counties throughout the nation, and to the need for considering not only expansion through branch banking but also expansion through bank mergers and bank holding company acquisitions. It was the consensus that it would be desirable as a first step to think primarily in terms of a factual study, thus affording a basis on which the Board could consider what further steps might be appropriate. At the conclusion of the discussion, the staff was requested to undertake a study of this nature, it being understood that the Division of Examinations would be joined by the Division of Bank Operations and the Division of Research and Statistics. It was indicated that Reserve Bank personnel might also be called upon to participate in the study as it proceeded.

**Hearing on application of New York Holding Corporation (Item No. 6).**

A memorandum from the Legal Division dated March 9, 1961, which had been distributed, reported that pursuant to the understanding at the meeting on March 3, 1961, tentative arrangements had been made for a hearing on the application of New York Holding Corporation, White Plains, New York, to acquire the outstanding shares of Bankers Trust Company, New York; New York, and The County Trust Company, White Plains, New York. The
hearing was to be held at the Federal Reserve Bank of New York beginning on April 25, 1961, and arrangements were in process for Charles W. Schneider to serve as Hearing Examiner. Mr. O'Connell and Mr. Smith, Legal Assistant, were to represent the Board at this hearing, along with a representative of the New York Reserve Bank. Submitted with the memorandum was a draft of order for hearing which would be published in the Federal Register. Copies would be sent to the applicant and other interested persons, including members of Congress from whom inquiries about this matter had been received.

In supplementary comments, Mr. O'Connell stated that representatives of the Division of Examinations and the Division of Research and Statistics also were being invited to participate in the hearing. He further stated that Robert J. Crowley, Assistant Counsel of the Federal Reserve Bank of New York, had been designated by that Bank as its representative who would be associated with the Board's counsel.

After further comments by Mr. O'Connell, the order for hearing was approved unanimously for publication, with the understanding that a Press release would be issued. A copy of the order is attached as Item No. 6.

North Shore Bank of Miami Beach. Mr. Solomon referred to actions previously taken by the Board to make available for review by the United States Attorney in Miami, Florida, certain reports of examination of the North Shore Bank, Miami Beach. He stated that he had now received a
telephone call from a representative of the Justice Department raising again the question of permitting the confidential sections of those reports also to be made available to the United States Attorney.

After discussion of the matter, it was understood that Mr. Solomon would inform the representative of the Department of Justice that there appeared to be little likelihood, if a formal request were made, that the Board would change its previous position, which was that it was unwilling to make the confidential sections available.

Application of Marine Midland Trust Company of Southern New York.

At the meeting on March 8, 1961, the Board indicated that it was disposed to deny the application of Marine Midland Trust Company of Southern New York, Elmira, New York, for permission to merge with the First National Bank and Trust Company, Ithaca, New York. The Division of Examinations was requested to ascertain whether the Federal Reserve Bank of New York, which had recommended favorably, wished to submit any additional information or comments.

Mr. Solomon reported that he had been in touch with Vice President Crosse of the New York Reserve Bank, who informed him that the Bank's Discount Committee felt rather strongly on the matter and that he and Assistant General Counsel Clarke would like to come to Washington to present the Reserve Bank's views to the Board. Mr. Crosse also inquired whether the Reserve Bank could see the report of the Department of Justice regarding the competitive aspects of the application and whether it would
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not be desirable for the Reserve Bank to discuss the matter with the
New York State banking authorities in order that the latter might have
an opportunity to present their views.

After discussion, Mr. Solomon was instructed to advise Mr. Crosse
that the Board would be glad to receive in writing such additional views
or information as the New York Reserve Bank might wish to submit, but
that the Board did not consider any further steps necessary at this time.

The meeting then adjourned.

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

Memorandum from the Division of Research and Statistics dated March 8, 1961, recommending the appointment of Peter N. More as Statistical Clerk-Typist in that Division, with basic annual salary at the rate of $4,355, effective the date of entrance upon duty.

Memorandum from the Division of Examinations dated March 6, 1961, requesting approval for a dinner to be given on April 26, 1961, for representatives of the Federal Reserve Banks in attendance at the biennial meeting of the Conference of General Auditors, at an approximate cost of $8.00 per person. The memorandum also stated that 53 invitations were to be issued for the dinner, those invited to include the members of the Board and 22 designated members of the Board's staff.

Memorandum from the Legal Division dated March 7, 1961, requesting approval of an estimated overexpenditure of $31,000 in the Contractual Professional Services Account of that Division's budget for 1961, reflecting the Board's action on December 8, 1960, renewing the retainer of Bolling R. Powell, Jr., as Special Counsel.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 7) approving the designation of Gary N. Garner as special assistant examiner.

[Signature]
Secretary
Board of Directors,
Littlestown State Bank
and Trust Company,
Littlestown, Pennsylvania.

Gentlemen:

This refers to your request, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to Littlestown State Bank and Trust Company to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Pennsylvania.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
March 10, 1961

Board of Directors,
Deposit Guaranty Bank & Trust Company,
Jackson, Mississippi.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors approves the establishment of two branches in Jackson, Mississippi, one to be located in the vicinity of the intersection of Northside Drive and Old Canton Road, and the other in the vicinity of the intersection of McDowell and McFadden Roads, by Deposit Guaranty Bank & Trust Company, provided the branches are established within one year from the date of this letter.

It is understood that the capital structure of the bank has been increased $1,200,000 during the month of February 1961, through the sale of additional common stock. While this increase will not produce a satisfactory capital structure for the bank, these branches are being approved in view of the small additional investment in fixed assets, the minimum of expansion involved, and convenience provided for customers. The Board wishes to stress the need for improving the asset condition and strengthening the capital structure of the bank as rapidly as possible.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
March 10, 1961

Board of Directors,
The First National Bank in Golden,
Golden, Colorado.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, registrar of stocks and bonds, 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 Colorado. 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 April 27, 1955, to act as executor, administrator, and guardian of estates.

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 Directors,
California Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of San Antonio Drive and Long Beach Boulevard, Long Beach, Los Angeles County, California, by California Bank. 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.
March 10, 1961

Board of Directors,
The Oregon Bank,
Portland, Oregon.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System interposes no objection to an additional period of time within which The Oregon Bank, Portland, Oregon, may comply with the requirement of the Superintendent of Banks for the State of Oregon that capital funds of the bank be increased not less than $300,000 by the sale of new common shares. This extension is in connection with the establishment of branches at Pendleton and The Dalles, approved by the Board on November 25, 1959, with the understanding that capital funds would be increased at least $300,000 prior to the opening of the branches and an additional $300,000 within six months subsequent to the date of the opening, as required by the State Banking Department. It is noted that the Superintendent's extension expires July 10, 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Notice is hereby given that application has been made to the Board of Governors of the Federal Reserve System, pursuant to section 3(a) of the Bank Holding Company Act of 1956 [12 U.S.C. 1842], by New York Holding Corporation, White Plains, New York, for the prior approval of the Board of the acquisition by applicant of all the outstanding shares of stock (except for directors' qualifying shares) of Bankers Trust Company, New York, New York, and The County Trust Company, White Plains, New York.

It appearing to the Board of Governors that it is appropriate in the public interest that a hearing be held with respect to this application:

IT IS HEREBY ORDERED, That, pursuant to section 222.7(a) of the Board's Regulation Y [12 C.F.R. Part 222.7(a)], promulgated under the Bank Holding Company Act of 1956, a public hearing with respect to this application be held, commencing April 25, 1961, at 10 a.m., at the offices of the Federal Reserve Bank of New York, New York City, before a duly designated hearing examiner, such hearing to be
conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 C.F.R. Part 263]. The right is reserved to the Board or such hearing examiner to designate any other place or date for such hearing or any part thereof which may be determined to be necessary or appropriate for the convenience of the parties.

IT IS FURTHER ORDERED, That the following matters will be the subject of consideration at said hearing, without prejudice to the designation of additional related matters and questions upon further examination:

1. The financial history and condition of the company and the banks concerned;
2. The prospects of said company and banks;
3. The character of their management;
4. The convenience, needs, and welfare of the communities and the area concerned;
5. Whether or not the effect of such acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.
IT IS FURTHER ORDERED, That, any person desiring to give testimony in this proceeding should file with the Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C., on or before March 31, 1961, a written request containing a statement of the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such requests will be presented to the designated hearing examiner for his determination, and persons submitting them will be notified of his decision.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Dated March 10, 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 March 2, 1961, the Board approves the designation of Gary N. Garner as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks only.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.