

Minutes for March 13, 1961

To: Members of the Board

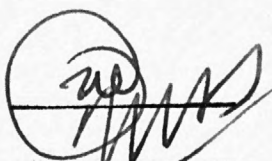
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

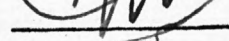
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

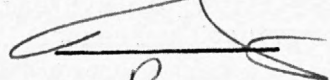
Chm. Martin



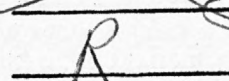
Gov. Szymczak



Gov. Mills



Gov. Robertson



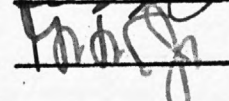
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System  
on Monday, March 13, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Robertson  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Miss Carmichael, Assistant Secretary  
Mr. Young, Adviser to the Board  
Mr. Shay, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. Rudy, Special Assistant, Legal Division  
Mr. Conkling, Assistant Director, Division  
of Bank Operations  
Mr. Leavitt, Assistant Director, Division  
of Examinations

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:

	<u>Item No.</u>
Letter to The County Trust Company, White Plains, New York, approving an extension of time to establish a branch in the Rye Ridge Shopping Center, Town of Rye, Westchester County.	1
Letter to the Federal Reserve Bank of Atlanta granting a request that the application of Bank of Waynesboro, Waynesboro, Georgia, for membership in the Federal Reserve System be held in abeyance for a reasonable period of time.	2
Letter to the Federal Reserve Bank of Chicago interposing no objection to the payment of dividends declared during 1960 by The Farmers and Merchants State Bank, Oldenburg, Indiana.	3

3/13/61

-2-

	<u>Item No.</u>
Letter to Citizens State Bank, Houston, Texas, granting permission to maintain reduced reserves.	4
Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at 1518 Walnut Street.	5
Letter to Tracy-Collins Bank and Trust Company, Salt Lake City, Utah, approving the establishment of a branch at 888 East 4500 South Street, Salt Lake County.	6
Letter to The Southwest Bank, Inglewood, California, approving the establishment of a branch in Los Angeles.	7
Letter to the Federal Reserve Bank of St. Louis authorizing Messrs. Gerald Dunne, George Kroner, and Harold Kline to make depositions in connection with a suit now pending in the Circuit Court of the City of St. Louis; letter to Robert Kratky, Esq., St. Louis, Missouri, indicating that the Board would have no objection to Messrs. Dunne, Kroner, and Kline being deposed in connection with this suit.	8 and 9

Report on competitive factors (Harrisburg and Middletown, Pennsylvania). There had been distributed to the Board copies of a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Citizens Bank and Trust Company of Middletown, Pa., Middletown, Pennsylvania, into and with The Harrisburg National Bank, Harrisburg, Pennsylvania. The report concluded as follows:

The proposed transaction would have little effect on competition in Harrisburg. The Citizens Bank and Trust

3/13/61

-3-

Company of Middletown as a branch of the larger resulting bank would provide stronger competition in the Middletown area, but such increased competition should not be so great as to have serious consequences on the remaining bank.

No objection being indicated, the report was approved unanimously for transmittal to the Comptroller.

Messrs. Rudy, Conkling, and Leavitt withdrew from the meeting at this point and Messrs. Noyes, Director, Division of Research and Statistics, Koch, Adviser in that Division, and Sammons, Adviser, Division of International Finance, entered the room.

Organization for Economic Cooperation and Development  
(Item No. 10). While testifying before the Joint Economic Committee on March 7, 1961, Chairman Martin was asked by Congressman Curtis whether the Board had made a statement regarding its position on a convention before the Senate for ratification that would reconstitute the Organization for European Economic Cooperation as the Organization for Economic Cooperation and Development. After Chairman Martin replied in the negative, Congressman Curtis requested that the "Federal Reserve have a statement, a considered statement, for insertion in the record as to your position on OECD as you have expressed it, that you do not feel that this would in any way affect your independent judgment and powers that you presently have." Pursuant to this request, a draft of such a statement was distributed with a covering memorandum from Mr. Young dated March 9, 1961.



3/13/61

-4-

In discussion, consideration was given to the final paragraph of the statement, which in draft form read as follows:

The Board of Governors understands that nothing in the Treaty embodying the proposed organization confers any power to bind the United States without compliance with applicable procedures imposed by domestic law. On this basis, it is clear that neither the present status of the Federal Reserve System in the structure of the U. S. Government nor its independence of judgment and action in the field of monetary policy would be affected by U. S. membership in the OECD.

In response to questions regarding the possible effect of the convention on the status of the Federal Reserve System, it was stated by members of the staff that there appeared to be nothing in the document that would confer authority to bind the United States to any action, except in compliance with the requirements of United States constitutional procedures. In other words, the implementation of actions taken by the organization apparently would be dependent on the constitutional procedures in effect within the individual member nations.

In the light of this understanding, Governor Robertson suggested that the final paragraph be changed to read as follows:

The Board of Governors understands that nothing in the Convention embodying the proposed organization would affect the present status of the Federal Reserve System in the structure of the U. S. Government or its independence of judgment and action in the field of monetary policy.

At the conclusion of the discussion, the statement was approved in a form reflecting the change suggested by Governor Robertson, with the understanding that Mr. Shay would arrange for its transmittal for inclusion in the record. A copy of the statement is attached as Item No. 10.

3/13/61

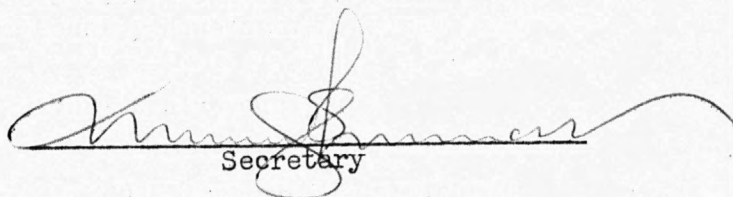
-5-

All of the members of the staff except Messrs. Sherman, Hackley, and Solomon then withdrew from the meeting.

Pan American Bank. Governor Robertson reported on recent developments with respect to the introduction of needed additional capital into the Pan American Bank of Miami, Florida. He outlined the manner in which he intended to proceed with a view to accelerating the introduction of such capital, and no objection was indicated.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 11) approving the designation of Charles C. Glass as special assistant examiner.



Secretary

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

Item No. 1  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961



Board of Directors,  
The County Trust Company,  
White Plains, 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 September 6, 1961, the time within which The County Trust Company, White Plains, New York, may establish a branch in the Rye Ridge Shopping Center to be located on the southwest corner of Bowman Avenue and Ridge Street, Town of Rye (Unincorporated Area), Westchester County, New York.

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  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Mr. J. E. Denmark, Vice President,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Denmark:

Your letter of February 22, 1961 refers to Mr. Tucker's request that the application of Bank of Waynesboro, Waynesboro, Georgia, for membership in the Federal Reserve System be held in abeyance until he can have an opportunity to explore the possibility of reconciling his differences with the Federal Deposit Insurance Corporation.

The Board has considered this request and will hold the application in abeyance for a reasonable period of time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.





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

Item No. 3  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Mr. Hugh J. Helmer, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Helmer:

This acknowledges your letter of January 11, 1961, and attached letter from The Farmers and Merchants State Bank, Oldenburg, Indiana, in which the member bank requests the Board's approval for the declaration of two dividends totalling \$1,375 in 1960 in contravention of Section 9, Federal Reserve Act, and Section 5199(b), U.S.R.S.

Under the statute the Board's approval is required prior to the declaration of the dividend. Prior approval cannot be given in this case since the dividends have already been paid. The Board, however, will raise no objection to the member bank's action in making such payments.

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  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Board of Directors,  
Citizens State Bank,  
Houston, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Citizens State Bank to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 5  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Board of Directors,  
The First Pennsylvania Banking and  
Trust Company,  
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 1518 Walnut Street, Philadelphia, Pennsylvania, by The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania. This approval is given provided the branch is established within six months from the date of this letter. It is noted that operations at this branch will be continued until such time as the mortgage servicing and dealings with mortgagors can be transferred to other offices and will not extend beyond October 31, 1962.

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  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Board of Directors,  
Tracy-Collins Bank and Trust Company,  
Salt Lake City, Utah.

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 at 888 East 4500 South Street, Salt Lake County, Utah, by Tracy-Collins Bank and Trust Company, 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 GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 7  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Board of Directors,  
The Southwest Bank,  
Inglewood, 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 Manchester and Western Avenues, Los Angeles, Los Angeles County, California, by The Southwest Bank, provided the branch is established within one year from the date of this letter.

It is understood that capital funds of the bank will be increased by at least \$300,000 prior to the establishment of the branch, that branch premises would be constructed on leased ground and that formal execution of the lease would be made only after approval of the State Banking Department, and that the selection of management of the new branch be submitted for approval as required by the Superintendent of Banks of the State of California.

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. 8  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961.

Mr. Delos C. Johns, President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Johns:

Enclosed is a letter replying to the request of Attorney Robert Kratky for unpublished information which you are requested to transmit to Mr. Kratky. In accordance with your recommendation, Mr. Kratky's request is being approved.

You are advised that pursuant to section 9 of its Rules of Organization the Board authorizes Messrs. Gerald Dunne, George Kroner, and Harold Kline to be deposed concerning the information requested.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure.



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

Item No. 9  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Robert Kratky, Esq.,  
Attorney at Law,  
Suite 1301 International Building,  
722 Chestnut Street,  
St. Louis 1, Missouri.

Dear Sir:

This refers to your further inquiry concerning the subject of two cases in which you have been retained as counsel representing Mrs. Louise B. Gruenewaelder: Louise B. Gruenewaelder v. Edward L. Wintermann et al, number 5760-E, pending in the Circuit Court of the City of St. Louis; and, E. L. Wintermann v. Louise B. Gruenewaelder, number 212,961, pending in the Circuit Court of St. Louis County, Missouri.

Under subpoena duces tecum you have examined unpublished information consisting of two narrative memoranda, one from Messrs. Kroner and Dunne to Mr. Peterson, dated April 9, 1951, concerning an "Interview with Mrs. Louise B. Gruenewaelder, 6917 Pershing, University City, Mo., April 4", and the other from Mr. H. B. Kline to the Files, dated May 25, 1951, on the subject "Transactions between Mrs. Louise B. Gruenewaelder and Mutual Bank and Trust Company". Specifically you now request the Board's permission under Title 12, Part 261.2(c)(1), of the Code of Federal Regulations for Messrs. Gerald Dunne, George Kroner, and Harold Kline to make a deposition on all matters within their personal knowledge regarding the subject matter of the memoranda or the suit now pending in the Circuit Court of the City of St. Louis.

The Board has no objection to Messrs. Dunne, Kroner, and Kline being deposed on the subject identified in the preceding paragraph provided that such deposition is made in accordance with the applicable statutes relating to pending litigation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

STATEMENT OF THE BOARD'S VIEWS ON OECD

In the modern world of interdependent nations, suitable international forums in which economic questions of mutual interest can be considered and discussed have an important role to play. In the postwar period the Organization for European Economic Cooperation has provided one such forum for its member countries in Western Europe, and for Canada and the United States, which have been associate members. The proposal to reconstitute the OEEC as the Organization for European Economic Cooperation and Development (OECD) results from the great change in economic conditions and economic problems in the past decade, and particularly from the re-establishment of world multilateral trade and the convertibility of most leading currencies. In addition to its other activities, the OECD would provide the basis for continuation and intensification of international economic consultation and cooperation among the countries concerned. Member countries would thus be provided with an opportunity to inform themselves more fully than might otherwise be possible regarding the policies of their fellow members, and to express their views regarding the consonance of such policies with their own economic interests.

It must be remembered, of course, that there are practical limits on the extent to which it is possible to reconcile the economic policies of different countries. These limits result from the variation among their economic conditions, among their techniques of economic control, and, at times, among their views as to what policies are suitable



-2-

in particular circumstances. On various occasions, representatives of the United States in Paris negotiations have pointed out the existence of such limits, and the Board of Governors fully agrees with this view.

The Board of Governors understands that nothing in the Convention embodying the proposed organization would affect the present status of the Federal Reserve System in the structure of the U. S. Government or its independence of judgment and action in the field of monetary policy.

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

Item No. 11  
3/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 13, 1961

Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of March 8, 1961, the Board approves the designation of Charles C. Glass as a special assistant examiner for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of member banks except The Fifth Third Union Trust Company, Cincinnati, Ohio. The authorization heretofore given your Bank to designate Mr. Glass as a special assistant examiner is hereby canceled.

As requested, the names of W. M. Elliott and O. O. Hanser have been deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.