

Minutes for March 20, 1961

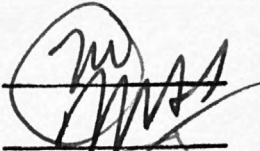

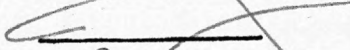
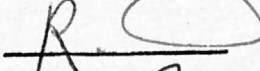
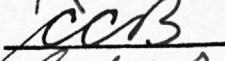
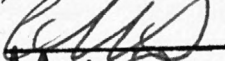
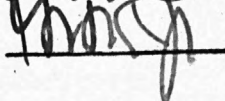
To: Members of the Board

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	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 20, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Furth, Adviser, Division of International
Finance
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Young, Assistant Counsel

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 Federal Reserve Bank of Boston inter- posing no objection to dividend payments made in 1959 by Wellesley Trust Company, Wellesley Hills, Massachusetts.	1
Letter to The Colonial Bank and Trust Company, Waterbury, Connecticut, approving an investment in bank premises.	2
Letter to The First National Bank of Strasburg, Strasburg, Colorado, approving its application for fiduciary powers.	3

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	<u>Item No.</u>
Letter to Morgan Guaranty Trust Company of New York, New York City, approving the establishment of a limited purpose branch at 30 West Broadway.	4
Letter to Coopersville State Bank, Coopersville, Michigan, approving the establishment of a branch at 19711 Main Street, Conklin.	5
Telegram to the Federal Reserve Bank of New York approving renewal of certain loans on gold to the Central Bank of El Salvador.	6
Letter to the Center for Latin American Monetary Studies advising of the attendance of a member of the staff of the Federal Reserve Bank of San Francisco at the Ninth Annual Training Program to be held in Mexico City May 2-August 25, 1961.	7

Application of Bank of Las Vegas. There had been circulated a file relating to an application of Bank of Las Vegas, Las Vegas, Nevada, to establish a branch in the vicinity of Maryland Parkway and East San Francisco Avenue, Clark County, Nevada. Included in the file were a memorandum from the Division of Examinations dated February 28, 1961, and a draft of letter that would approve the establishment of the branch. As pointed out in the memorandum, the bank's capital position was not satisfactory. However, there was a firm commitment to the State Superintendent of Banks (1) to increase capital and surplus by \$400,000 through declaration of a stock dividend, and (2) to limit dividend payments to not more than \$1.25 per share in July 1961 and January 1962. The stock dividend would result in the transfer to capital and surplus of profits realized from the sale of securities. In view of the small additional

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investment in bank premises involved in the establishment of the branch, the urgent need for additional operating space, and the desire of the bank to protect existing business in the proposed service area, as well as to participate in the future growth of the area, the Division of Examinations recommended that the application be approved.

In commenting on the application, Governor Robertson expressed the view that it would be unwise to permit the bank to expand branchwise due to its unsatisfactory capital position. The proposed increase of \$400,000 in capital and surplus represented merely a rearrangement of the capital structure of the bank; no new capital was being added. About all that had been accomplished was an agreement to limit dividend payments in July 1961 and January 1962. In essence, Governor Robertson said, his position was that the bank was not well capitalized and that nothing was being done to provide a more adequate capital structure. Efforts had been made to induce the bank to improve its capital position, but these efforts had not been successful. In the circumstances, he would consider it inadvisable to grant the branch application.

After a further discussion of the bank's capital position, Chairman Martin inquired whether the Board would wish to check further with the Federal Reserve Bank of San Francisco before taking action on the application.

Mr. Leavitt indicated that the Division of Examinations had already gone back to the Reserve Bank in connection with the application.

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Originally the Reserve Bank had recommended approval on condition that \$100,000 would be added to capital through the sale of new stock. The Division of Examinations advised the Reserve Bank that the Board usually did not follow the practice of approving the establishment of a branch upon condition that the bank's capital be increased, it being the Board's view that an applicant bank's position should be satisfactory prior to approval of a branch application. Later the Reserve Bank was advised that the Bank of Las Vegas had informed the Superintendent of Banks for the State of Nevada that the bank proposed to declare a stock dividend of one new share for each two shares, thereby transferring \$375,000 to the capital stock account and \$25,000 to surplus out of undivided profits. In view of this commitment, the Reserve Bank recommended that the Board approve the application.

During a discussion as to whether it would be desirable to communicate again with the San Francisco Bank, Governor Robertson indicated that he thought it was appropriate to go back to a Reserve Bank if there was an indication that the Board might take some action other than that recommended by the Bank. He was not sure that it was desirable to do so if only one member of the Board raised a question regarding an application, and that might be the case here.

Governor Mills stated that, while this appeared to be a marginal case, he would vote to approve the application. In his opinion, the additional capital exposure that would result was not a sufficient reason for denial.

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The other members of the Board indicated that their views were similar to those expressed by Governor Mills.

Accordingly, the application to establish the branch was approved, Governor Robertson dissenting for the reasons that he had indicated.

Secretary's Note: The form of the letter of approval was discussed further at the meeting on March 21, 1961.

Applications of Wells Fargo Bank American Trust Company (Item No. 8). At the Board meeting on March 17, 1961, consideration was given to applications by Wells Fargo Bank American Trust Company, San Francisco, California, for approval of the establishment of branches at the following locations:

- (1) in the vicinity of the intersection of McHenry and Granger Avenues, Modesto, Stanislaus County,
- (2) on Castro Street in the vicinity of the Civic Center, Mountain View, Santa Clara County,
- (3) in the vicinity of the intersection of Solano Avenue and Georgia Street, Vallejo, Solano County, and
- (4) in the vicinity of Franklin Boulevard and Florin Way in an unincorporated area of Sacramento County, California.

At that time Governor Robertson raised certain questions, particularly about one of the proposed branches, and at his request action was deferred in order that he might study the file further.

Governor Robertson reported that he had now reviewed the file and that, although still concerned, he was prepared to go along with

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approval of the applications. Wells Fargo's program was in line with what a number of other banks in the State of California were doing, and he thought the problem could best be dealt with by pursuing the study of the branch banking situation in California that the Board had recently requested the staff to undertake. In that manner, the problem with respect to all of the banks involved could be considered.

Unanimous approval was then given to a letter to Wells Fargo Bank American Trust Company approving the establishment of the four branches. A copy is attached as Item No. 8.

Mr. Leavitt then withdrew from the meeting.

International Finance Corporation Act (Item No. 9). In a memorandum dated March 13, 1961, the Bureau of the Budget requested the views of the Board on a draft bill to amend the International Finance Corporation Act. The purpose of the proposed bill was to authorize the United States member of the Board of Governors of the International Finance Corporation to vote in favor of a resolution amending the Articles of Agreement of the Corporation to permit it to engage in equity financing. Congressional authorization was required by section 5 of the International Finance Corporation Act before an amendment to the Articles of Agreement might be accepted on behalf of the United States. The proposed amendment had been reviewed and approved by the National Advisory Council on International Monetary and Financial Problems.

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A draft of reply that would indicate that the Board had no objection to the enactment of the proposed legislation had been distributed to members of the Board with a covering memorandum dated March 15, 1961, from Mr. Marget, Director of the Division of International Finance.

In commenting on the bill, Governor Mills stated that he would favor sending the proposed reply to the effect that the Board had no objection. He felt, however, that the record ought to reflect the fact that a fundamental change in the operating policies of the International Finance Corporation appeared to be involved. According to the original scheme of conduct, the Corporation advanced funds to private industries through debt financing, but with possibly the right to share in the growth of those industries through accretions of capital stock. The proposed amendment would place the Corporation directly in the role of a shareholder in the concerns it was financing. Thus, in certain circumstances, the Corporation could become the controlling factor in the operation of businesses in various countries. Therefore, although he would favor the proposed reply, Governor Mills said, the Board should be aware that by offering no objection to this legislation it was sharing in a decision to alter the original concept of the activities of the Corporation.

Chairman Martin agreed that the effect of the legislation would be substantially as stated by Governor Mills. He added that he would not want to see the Board go further than to say that it had no objection.

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On the other hand, in view of the extent to which the proposal had been considered within the Government over a substantial period of time, he doubted whether the Board would want to adopt a posture of strong opposition.

Governor Robertson then said that he would like to refrain from voting on the reply to the Budget Bureau because he did not feel that he was sufficiently conversant with the subject.

There ensued further discussion during which Chairman Martin responded to several questions in terms of his understanding of the effect of the proposed amendment and the reasons why it had been suggested.

The letter stating that the Board had no objection to the enactment of the proposed legislation then was approved, Governor Robertson abstaining. A copy is attached as Item No. 9.

Report on H.R. 1211, 2799, and 2802. Three separate requests dated February 9, 1961, were received from the House Committee on Interstate and Foreign Commerce for reports from the Board on H.R. 1211, H.R. 2799, and H.R. 2802, each of which would require disclosure of detailed information by specified individuals, including corporate directors and officers, concerning certain personal financial dealings.

There had been circulated to the members of the Board, with a memorandum from the Legal Division dated March 6, 1961, a draft of letter that would indicate that none of the bills appeared to relate to any matter having a direct or material bearing upon the responsibilities of

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the Board of Governors and that the Board had no comment to offer with respect to them.

Governor Balderston indicated that he had certain questions, principally with regard to H.R. 2802, which would provide for the reporting and disclosure by corporate officers, directors, and controlling stockholders of any "publicly held corporation" of the compensation and other benefits derived by them as such. Since the definition of a "publicly held corporation" was so broad as to include at least some banks, he was not sure that it was accurate to state in the letter that "none of the bills relate to any matter which has a direct or material bearing upon the responsibilities of the Board of Governors of the Federal Reserve System."

Mr. Young replied that Governor Balderston's comments raised a question as to the extent to which the Board might wish to comment on a matter that concerned banks themselves, as contrasted with the Board's supervisory responsibility with respect to banks. The matter, he said, had been discussed with the Division of Examinations, and it was the judgment of that Division that any objections to legislation of this kind probably should be raised by the banks themselves.

In view of the questions raised by Governor Balderston, action was deferred pending further study by the staff.

Chairman Martin withdrew from the meeting at this point, as did Messrs. Johnson, Furth, and Young (Assistant Counsel).

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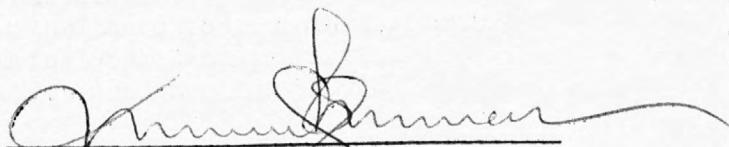
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There followed a brief discussion of the terms of the Treasury's current advance refunding, and of System holdings of issues eligible for exchange, after which the meeting adjourned.

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

Memorandum from the Division of Examinations recommending acceptance of the resignation of Patricia R. Baker, Secretary in that Division, effective at the close of business March 17, 1961.

Letter to the Federal Reserve Bank of Dallas (attached Item No. 10) approving the appointment of Clarence Edgar Gilmore, Jr., as assistant examiner.


Secretary

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

Item No. 1
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961



Mr. Benjamin F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

This will acknowledge your letter of February 2, 1961, enclosing a copy of a letter from Wellesley Trust Company, Wellesley Hills, Massachusetts, in which the member State bank requests the Board to approve dividends totalling \$16,000 declared in 1959 in contravention of Section 9, Federal Reserve Act, and Section 5199(b), United States R.S.

Under the statute the Board's approval is required prior to the declaration of the dividends. Prior approval cannot be given in this case as it appears that the dividends have already been paid; however, the Board will raise no objection to the bank's action in making such dividend 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. 2
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961



Board of Directors,
The Colonial Bank and Trust Company,
Waterbury, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves an additional investment in bank premises by The Colonial Bank and Trust Company of not to exceed \$380,000 for the purpose of completing the expansion and remodeling of main office premises. It is understood that this amount includes (1) investments made since September 1959, which were not approved, and (2) \$294,000 estimated additional expenditures in connection with the bank's \$1,456,000 program approved by the Board on October 16, 1959.

The Board also approves \$70,000 estimated expenditures in connection with the relocation of the bank's Freight Street Branch to the Colonial Plaza Shopping Center.

Attention is called to the fact that it will be necessary to obtain prior approval of the Board of Governors for any additional expenditures as long as the aggregate investment in bank premises exceeds the bank's capital stock.

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
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961

Board of Directors,
The First National Bank of Strasburg,
Strasburg, Colorado.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Strasburg 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.

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

Item No. 4
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961

Board of Directors,
Morgan Guaranty Trust
Company of New York,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System is of the opinion that the relocation of your Stock Transfer Department tellers from 54 Liberty Street to 30 West Broadway, New York, New York, would constitute the establishment of a branch under the provisions of Section 9 of the Federal Reserve Act and requires the Board's approval.

The Board of Governors approves the establishment of a limited purpose branch by Morgan Guaranty Trust Company of New York, New York, New York, at 30 West Broadway, New York, New York.

It is understood that the banking operations conducted at this office will be limited to the functions of the Stock transfer Department of Morgan Guaranty Trust Company and will not include the performance of any other functions involving contact with the public such as the acceptance of deposits, the cashing of checks, or the making of loans.

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. 5
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961

Board of Directors,
Coopersville State Bank,
Coopersville, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 19711 Main Street, Conklin, Michigan, by Coopersville State Bank, 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.

T E L E G R A M
LEASED WIRE SERVICEItem No. 6
3/20/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

March 20, 1961

SANFORD - NEW YORK

Your wire March 16. Board approves extension for three months of loans of \$1 million each maturing March 23, March 29 and April 17 by your Bank to the Central Bank of El Salvador on the following terms and conditions:

- (a) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- (b) To mature in three months with option to repay at any time before maturity;
- (c) To bear interest at the discount rate at your Bank in effect on the dates on which the extensions are made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Merritt Sherman
SHERMAN

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

Item No. 7
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961



AIR MAIL

Mr. Fernando Rivera,
Assistant Director,
Centro de Estudios Monetarios Latinamericanos,
San Juan de Letran No. 2 - Piso 32,
Mexico 1, D. F.

Dear Mr. Rivera:

In reply to your letter of February 3, the Board of Governors has approved the attendance of Mr. James Nettles, an Associate Economist in the Research Department of the Federal Reserve Bank of San Francisco, at the Ninth Annual Training Program of the Center for Latin American Monetary Studies. Mr. Nettles works in the monetary area of the Department and has been on the staff approximately one year. He speaks Spanish fluently.

You will receive directly from the Federal Reserve Bank of San Francisco a completed copy of your Letter of Introduction and Personal History form.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 8
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961

Board of Directors,
Wells Fargo Bank American
Trust Company,
San Francisco, California.

Gentlemen:

Pursuant to your requests submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of the following branches by Wells Fargo Bank American Trust Company:

- (1) in the vicinity of the intersection of McHenry and Granger Avenues, Modesto, Stanislaus County,
- (2) on Castro Street in the vicinity of the Civic Center, Mountain View, Santa Clara County,
- (3) in the vicinity of the intersection of Solano Avenue and Georgia Street, Vallejo, Solano County,
- (4) in the vicinity of Franklin Boulevard and Florin Way in an unincorporated area of Sacramento County, California.

This approval is given provided the branches are 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. 9
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1961

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Executive Office of the President,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is in reply to your memorandum
of March 13 regarding a draft bill to amend the
International Finance Corporation Act.

The Board of Governors of the Federal
Reserve System has no objection to the enactment
of the proposed legislation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 10
3/20/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1961

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 March 10, 1961, the Board approves the appointment of Clarence Edgar Gilmore, Jr. 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.