

Minutes for March 30, 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

The image shows handwritten initials and signatures over horizontal lines. From top to bottom: a circled 'M' with 'MS' below it; a signature that appears to be 'MS'; a signature that appears to be 'R'; a signature that appears to be 'CB'; a signature that appears to be 'S'; and a signature that appears to be 'K'.

Minutes of the Board of Governors of the Federal Reserve System on
Thursday, March 30, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, 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 and Director,
Division of International Finance
Mr. Shay, Legislative Counsel
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. Johnson, Director, Division of Personnel
Administration
Mr. Hooff, Assistant General Counsel
Mr. Robinson, Adviser, Division of Research
and Statistics
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on March 29, 1961, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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:

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	<u>Item No.</u>
Letter to Stromsburg Bank, Stromsburg, Nebraska, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	1
Letter to the Federal Reserve Bank of New York interposing no objection to two members of the Bank's staff serving in the Office of the Under Secretary of the Treasury for Monetary Affairs for a certain period of time.	2
Letter to The Chase Manhattan Bank, New York City, approving an extension of time to establish a branch at 110 West 52nd Street.	3
Letter to The Bank of New York, New York City, approving an extension of time to establish a branch at 360 Park Avenue.	4
Letter to Bank of Dearborn, Dearborn, Michigan, approving the establishment of branches at 8650 North Telegraph Road and 25604 Van Born Road, Wayne County.	5
Letter to Traverse City State Bank, Traverse City, Michigan, approving the establishment of a branch at 1034 East Eighth Street.	6
Letter to Chairman Dawson of the House Committee on Government Operations reporting on H. R. 5657, a bill that would amend the Budget and Accounting Act, 1921, to provide for retirement of the public debt by setting aside each fiscal year a portion of the budget receipts for that purpose.	7
<p><u>Report on competitive factors (Dayton, Ohio).</u> There had been distributed copies of a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Peoples Bank and Trust Company and The Merchants National Bank and Trust Company of Dayton, both of Dayton, Ohio.</p>	

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After discussion, agreement was expressed with a suggestion that the conclusion in the report be changed to read as follows:

The proposed consolidation of Peoples Bank and Trust Company and Merchants National Bank and Trust Company, now third and fourth largest Dayton banks respectively, by reducing Dayton banks to only three in number, would further limit alternative sources of banking services. The growth of each bank over the past decade indicates significant competitive ability. The resulting bank would be able to provide stronger competition to the two larger city banks, and as Dayton and nearby suburbs would be the primary field of its operations any adverse competitive effects on the smaller county banks would seem to be unlikely.

The report was then approved unanimously for transmittal to the Comptroller.

Request for permission to declare dividend (Items 8 and 9).

At the meeting on Wednesday, March 29, preliminary consideration was given to the request of Farmers Bank and Trust Company, Knox, Indiana, for permission to declare a quarterly dividend of \$1,875 to be paid on March 31, 1961, but no action was taken and it was understood that the Division of Examinations would obtain certain additional information.

Mr. Solomon now reported that the stock of the bank was rather widely held in the community and that apparently a good deal of talk might be generated if the proposed dividend were not declared. In this connection, he called attention to the language of the proposed transmittal letter to the Chicago Reserve Bank which brought out that any further dividend declarations in 1961 would also require the Board's

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approval. The letter would request the Reserve Bank to bring most strongly to the attention of the member bank that an urgent need for substantial additional capital existed and that losses should be eliminated before the next report of condition.

Mr. Solomon commented that the proposed dividend would be relatively small. If the dividend were permitted to be paid, it was felt by the Reserve Bank that the member bank would be in a better position to sell additional capital stock. As to management, the Reserve Bank felt that a strengthening might be achieved through greater attention on the part of the directors. These and other matters affecting the bank's condition had been discussed at a recent meeting of the directors with the Indiana State banking authorities, in which the Reserve Bank participated.

In further discussion, agreement was expressed with the suggestion that the letter to the member bank be expanded to set forth the Board's concern about the substantial volume of criticized assets, other unsatisfactory conditions reflected in the current report of examination, and the urgent need for additional capital.

Accordingly, unanimous approval was given to a letter to the Farmers Bank and Trust Company in the form attached as Item No. 8. A copy of the letter of transmittal to the Federal Reserve Bank of Chicago is attached as Item No. 9.

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Messrs. Hooff and Leavitt then withdrew.

Inquiry from Bank Stock Corporation of Milwaukee (Item No. 10).

In a letter dated March 17, 1961, President Allen of the Federal Reserve Bank of Chicago presented for the Board's consideration certain questions that had been raised with him by the President of Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, regarding the Clayton Act suit filed against that Corporation by the Department of Justice following the Board's approval of its acquisition of The Bank of Commerce, also of Milwaukee.

The President of Bank Stock Corporation had inquired (1) whether the Board wished to join the Corporation in asserting that the action of the Justice Department constituted "an unwarranted and illegal challenge of the Board's jurisdiction and authority", and (2) if not, whether the Board would like to "confer and collaborate with Bank Stock Corporation in the preparation of its case." In a memorandum dated March 28, 1961, which had been distributed, the Legal Division recommended that the Board decline the requests of Bank Stock Corporation. A draft of reply to President Allen was submitted with the memorandum.

In discussion, agreement was expressed with a suggested editorial change in the proposed reply, following which unanimous approval was given to the letter to President Allen of which a copy is attached as Item No. 10.

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Request of Hardy Subcommittee (Item No. 11). In a letter to Chairman Martin dated March 28, 1961, Chairman Hardy of the Foreign Operations and Monetary Affairs Subcommittee of the House Committee on Government Operations requested that there be made available to the staff of the Subcommittee for examination the Board's file on the application of Bank Stock Corporation of Milwaukee for approval of the acquisition of shares of The Bank of Commerce, Milwaukee, Wisconsin. There had been distributed a draft of reply indicating that the file would be made available.

In discussing the matter, Mr. Hackley noted that the policy of the Board had been to provide the Subcommittee full access to the Board's files. He also pointed out that the proposed reply would contemplate making available to the staff of the Subcommittee not only the application but also all memoranda and correspondence included in the file on the case in question.

Governor Mills stated that his approach was different from the position that would be taken in the proposed reply. In previous instances, he pointed out, the Board had supplied to the staff of the Subcommittee various records and information pertaining to the Board's internal operations, and he had felt that this was proper. Here, however, the Board was requested to make available to the Subcommittee its records with respect to an application that had been made to the Board. In other words, the Board was being asked to place at the Subcommittee's disposal

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material that under its Rules of Organization and Procedure constituted unpublished confidential information. This material would include, among other things, memoranda prepared by the Board's staff as background to the published Order and Statement, and only recently the Board had taken the position that intra-agency staff memoranda on bank merger cases should not be released to outside parties. In the circumstances, he felt that it would be in error to supply the requested information unless the file should be subpoenaed, in which event the Board could then determine whether the information should be released.

Mr. Shay noted that the Committee on Government Operations was charged with determining efficiency at all levels of Government. He understood that the interest of the Subcommittee in reviewing the file in question arose out of the situation that had developed in bank holding company and bank merger cases where applications had been approved by the bank supervisory agencies and the Department of Justice subsequently instituted antitrust proceedings. This was the kind of investigation that was within the province of the Subcommittee.

Mr. Hackley commented that he assumed the Subcommittee would be interested primarily in the factors that the Board had taken into account in approving the application and also in the several memoranda furnished by the Department of Justice. It did not appear that the Subcommittee was seeking access to this file with a view to disclosing or making public any information regarding the business or financial affairs of the

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applicant or the Bank of Commerce. Instead, it appeared that the Subcommittee was interested in procedural aspects, including relations of the Board with the other bank supervisory agencies and the Justice Department.

Comments by the other members of the Board indicated that they favored compliance with the request of the Subcommittee, it being assumed that the interest of the Subcommittee in the file in question was along the lines suggested by Messrs. Shay and Hackley and that the confidential nature of some parts of the file would be taken into consideration by the Subcommittee. Certain suggestions were made for editorial changes in the form of the proposed reply to Chairman Hardy, following which approval was given to a letter in the form attached as Item No. 11, Governor Mills dissenting for the reasons he had stated.

Mr. Furth, Adviser, Division of International Finance, entered the meeting at this point.

North Shore Bank, Miami Beach (Item No. 12). On March 15, 1961, the Board considered a request from Thomas E. Lindsey, Examiner for the Federal Deposit Insurance Corporation, for permission to photostat certain pages of reports of examination of the North Shore Bank, Miami Beach, Florida, that he had been holding in custody for the use of the United States Attorney in Miami in connection with the preparation of a case involving certain officers and directors of the bank. It was understood that this procedure had been requested by the United States

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Attorney. The Board advised Mr. Lindsey, through the Federal Reserve Bank of Atlanta, that he should not agree to the making of the photostats and that any request of the United States Attorney should come to the Board through the Department of Justice.

In a letter dated March 28, 1961, the Justice Department requested authorization to make the photostatic copies, indicating that they were desired solely for the confidential use of the United States Attorney and that they would not be taken to court or used as evidence. The Department also requested use of the reports of examination for a further period of 90 days from March 18, 1961.

A memorandum dated March 29, 1961, from the Division of Examinations, which had been distributed to the Board, outlined and commented on the questions presented by the most recent letter from the Department of Justice.

In discussing the matter, Mr. Solomon suggested that the possibility should be borne in mind that at some stage permission might be requested to offer in evidence the reports of examination or portions thereof. Nevertheless, he and Mr. Hackley indicated that they felt it would be difficult, in the circumstances of this case, to deny either of the current requests of the Justice Department. They suggested, however, that if the Board authorized the preparation of photostatic copies of the pages in question, it specify that there be stamped or written on each copy a legend to the effect that the copy was solely

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for the confidential information and use of the United States Attorney, Miami, Florida, and was not to be presented or taken to court or used as evidence.

Governor Mills recalled that when this matter originally came before the Board he had outlined the principles to which he thought the Board should adhere in maintaining the confidentiality of information of this kind. However, the Board took the opposite view, and the sequence of events with which the Board was familiar had ensued over a period of months. In the circumstances, he would like to be recorded as abstaining from voting on the requests now before the Board.

After further discussion it was agreed, with Governor Mills abstaining, to advise the Department of Justice (1) that the reports of examination could remain in the custody of Examiner Lindsey for the additional period of time requested, and (2) that photostatic copies of pages 11, 20, and 21 of the reports might be made under the general supervision and control of Mr. Lindsey, provided a legend such as described by Messrs. Solomon and Hackley was stamped or written on each copy. It was understood that the reply to the Justice Department would note the statement in its letter that the photostatic copies would be "employed solely for the confidential information and use of the government attorney for the preparation of the case" and that they would "not be presented or taken to court nor used as evidence at any stage of the prosecution of this matter."

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A copy of the letter sent to the Department of Justice pursuant to the foregoing action is attached as Item No. 12.

Mr. Benner then withdrew.

Question regarding reserve city status of Toledo, Ohio. On March 1, 1961, the Board announced that it was publishing in the Federal Register, with an invitation to submit comments not later than April 1, 1961, proposed amendments to Regulation D, Reserves of Member Banks, that would provide a new basis for classifying reserve cities. According to one provision of the proposed amendments, any city classified as a reserve city on January 1, 1961, could continue to be so classified effective June 1, 1961, even though it did not fall within the scope of certain other provisions, if a written request for continuance (together with a certified copy of a resolution of the board of directors of such member bank duly authorizing such request) was received on or before May 15, 1961, and if such request was granted by the Board. Under the standards contemplated by the proposed amendments, Toledo, Ohio, would be discontinued as a reserve city effective June 1, 1961, unless such a request was made and was acted upon favorably by the Board. If such a request was granted, Toledo would remain a reserve city at least until the next triennial review; that is, until June 1, 1964.

Chairman Martin reported having received information that of the three member banks in Toledo, the two smaller banks desired to have

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the reserve city designation continued while the largest bank preferred to let the designation be discontinued. This situation had apparently given rise to contention, with the result that a compromise had been suggested. It appeared that all three member banks would join in a request that the reserve city designation be continued if the situation could be reviewed after one year rather than three years.

Upon consideration of the situation referred to by Chairman Martin, it appeared that a change in the proposed amendments published in the Federal Register would be necessary to permit a course of action along the lines contemplated by the member banks in Toledo. Accordingly, it was understood that the Chairman would indicate informally to the parties concerned that their oral inquiry would be regarded as constituting compliance with the April 1 deadline for submission of comments, that they should, however, submit their views and arguments in writing as soon as possible, and that such views and arguments, if submitted in writing, would be considered by the Board along with other comments received on the proposed amendments to Regulation D.

All of the members of the staff except Messrs. Sherman, Kenyon, Farrell, and Solomon then withdrew.

Additional information on merger cases. Governor Robertson referred to the proposed merger of Manufacturers Trust Company and the Hanover Bank, both of New York City, and to a statement made on the floor of the Senate on March 24, 1961, by Senator Robertson of Virginia

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concerning an employment contract that Manufacturers had entered into with the Chairman of its Board, Mr. Horace C. Flanigan. A letter subsequently sent by Mr. Flanigan to Senator Robertson had also been published in the Congressional Record.

Governor Robertson suggested that it would seem desirable for the Board to have in its files, in connection with the consideration of bank merger applications, information on any contracts with officers of the merging banks such as the one referred to in the statement by Senator Robertson. He added that the Federal Reserve Bank of New York had indicated its willingness to make appropriate inquiry in pending merger cases if requested to do so by the Board.

There was general agreement that such information should be available to the Board. However, Governor Mills suggested that it would seem preferable if the information could be obtained in the usual course rather than to make special inquiries. It was agreed that a procedure such as suggested by Governor Mills would ordinarily be preferable, and that special inquiries should be limited to any pending cases in which the usual investigatory procedures had already been completed. Accordingly, it was understood that the matter would be handled on that basis.

At this point Mr. Smith, Assistant Director, Division of Examinations, entered the room.

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Report of examination--Federal Reserve Bank of New York. The report of examination of the Federal Reserve Bank of New York made by the Board's examining staff as of October 21, 1960, had been circulated to the Board, along with the usual accompanying memoranda.

Mr. Smith commented on matters disclosed by the examination, and on the basis of his comments it was agreed that there were no matters appearing to require action on the part of the Board.

All of the members of the staff then withdrew and the Board went into executive session.

Program of American Economic Association. The Secretary was informed later by Chairman Martin that during the executive session the Board gave consideration to a memorandum dated March 27, 1961, from Mr. Young, Adviser to the Board and Director of the Division of International Finance, regarding the possible presentation by him of a paper on the forthcoming report of the Commission on Money and Credit at a session of the meeting of the American Economic Association to be held in New York City in December 1961 which was to be devoted to the aforementioned report. The Secretary was informed that the presentation of such a paper by Mr. Young had been cleared with the Board on the basis of Mr. Young's willingness to submit it to the Board for approval of position.

The meeting then adjourned.

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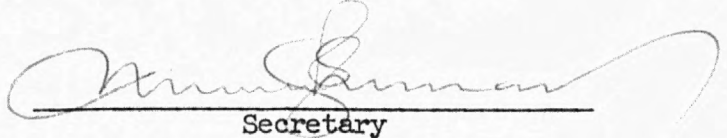
Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items relating to the Board's staff:

Appointment

Marjorie M. Gray as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$3,970, effective the date of entrance upon duty.

Transfer and salary increase

Alma Davita Clift, from the position of Secretary in the Division of International Finance to the position of Secretary in the Division of Personnel Administration, with an increase in her basic annual salary from \$4,675 to \$4,840, effective April 2, 1961.


Secretary

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

Item No. 1
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



Board of Directors,
Stromsburg Bank,
Stromsburg, Nebraska.

Gentlemen:

The Federal Reserve Bank of Kansas City has forwarded to the Board of Governors your letter, together with the accompanying resolution dated February 24, 1961, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Kansas City of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Kansas City.

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
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961

Confidential (FR)

Mr. Thomas M. Timlen, Jr.,
Secretary,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Timlen:

This is in reply to your letter of March 20, 1961, advising that at the request of Mr. Robert V. Roosa, the services of two members of the Bank's staff, Messrs. Bruce K. MacLaury and Peter D. Sternlight, are being made available to the Under Secretary of the Treasury for Monetary Affairs.

It is noted that Messrs. MacLaury and Sternlight have been granted a leave of absence with pay, each for a period of up to four months, commencing on or about March 20 and March 26, respectively.

The Board interposes no objection to their serving in the Office of the Under Secretary for this period on the basis of arrangements discussed with Mr. Hayes and Mr. Treiber, and as outlined in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961

Board of Directors,
The Chase Manhattan Bank,
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 21, 1961, the time within which The Chase Manhattan Bank, New York, New York, may establish a branch at 110 West 52nd Street, New York, 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. 4
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



Board of Directors,
The Bank of New York,
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 October 16, 1961, the time within which The Bank of New York, New York, New York, may establish a branch at 360 Park Avenue, New York, 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. 5
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



Board of Directors,
Bank of Dearborn,
Dearborn, 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 branches at 8650 North Telegraph Road, and 25604 Van Born Road, Dearborn Township, Wayne County, Michigan, by Bank of Dearborn, provided the branches are established within one year from the date of this letter.

It is understood that, under conditions imposed by the State, on or before June 1, 1961, the bank will sell at least 3,575 shares of \$10 par value common stock to provide new capital funds of not less than \$89,375.00 and that the directors of the bank will recommend to the shareholders at their annual meeting in January 1962, a further increase in capital stock of at least five per cent of the number of shares of common stock then outstanding, at a premium to be fixed by the shareholders.

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
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



Board of Directors,
Traverse City State Bank,
Traverse City, 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 1034 East Eighth Street, Traverse City, Michigan, by Traverse City State Bank, 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

Item No. 7
3/30/61

OFFICE OF THE CHAIRMAN

March 30, 1961

The Honorable William L. Dawson,
Chairman,
Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of March 17, 1961, requesting a report on the bill H.R. 5657. The bill would amend the Budget and Accounting Act, 1921, to provide for retirement of the public debt by setting aside each fiscal year a portion of the budget receipts for that purpose.

H.R. 5657 is identical with H.R. 1851, which, together with H.R. 1770 and H.R. 2471, was covered in our report to you under date of February 17, 1961. With that report was enclosed a copy of my letter of June 8, 1960, which conveyed to you the Board's views on H.R. 5203, a similar bill in the 86th Congress. The comments in my letter of June 8, 1960, would seem to be equally applicable to H.R. 5657. The Board has found no reason to change its views, and, accordingly, continues to doubt that the effects of such measures would be sufficiently beneficial to justify their enactment.

For your convenience, a copy of my letter of June 8, 1960, is enclosed herewith.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 8
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



Board of Directors,
Farmers Bank and Trust Company,
Knox, Indiana.

Gentlemen:

The Board has reviewed a copy of your letter of March 10, 1961, to Mr. Hugh J. Helmer, Vice President, Federal Reserve Bank of Chicago, Chicago, Illinois, requesting that you be permitted to declare a quarterly dividend of \$1,875 to be paid on March 31, 1961. The Board's permission is necessary under the provisions of Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

After consideration of the facts, the Board approves the declaration of this dividend. This approval is confined to the declaration of a dividend to be paid March 31, 1961, and does not authorize any other declaration of dividends during 1961 or later.

The Board is concerned about the substantial volume of criticized assets and other unsatisfactory conditions reflected in the current report of examination of your bank and hopes that an immediate effort will be made to bring about correction of these matters. In particular your attention is directed to the urgent need for additional capital as discussed with you in the meeting with Mr. E. E. MacDonald, Supervisor of Banks of Indiana, and Mr. Leland Ross of the Federal Reserve Bank on March 9, 1961, in the office of the Indiana Department of Financial Institutions. The Board would appreciate your advising Vice President Helmer of the Reserve Bank as promptly as possible of your plans for providing new capital through the sale of common 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. 9
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



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

Dear Mr. Helmer:

Your letter of March 15, 1961, recommends the approval of a declaration of a quarterly dividend of \$1,875 payable March 31, 1961, by the Farmers Bank and Trust Company, Knox, Indiana, under the provisions of Section 9, Federal Reserve Act, and Section 5199(b), United States Revised Statutes. Accompanying your letter is a copy of a letter from the member State bank requesting permission to declare the above-mentioned dividend.

The Board has given careful consideration to the facts of this application and approves the declaration of a quarterly dividend of \$1,875 payable March 31, 1961, as shown by the enclosed letter which you should forward to the member bank. A copy of this letter is enclosed for your files. Future dividend declarations in 1961 and possibly later may also require the Board's approval.

It is believed essential that you bring most strongly to the attention of the member bank the urgent need for a substantial increase in the capital of the bank and that the elimination of losses be made before the next report of condition is requested.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosures-2

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

Item No. 10
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 30, 1961

Mr. Carl E. Allen, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

This refers to your letter of March 17, 1961, wherein you advise of the inquiries made of you by Mr. A. S. Puelicher, President of the Bank Stock Corporation of Milwaukee, on the subject of the Board's participation, through either of two courses outlined by Mr. Puelicher, in the Corporation's defense of the suit recently filed by the Department of Justice against the Corporation under section 7 of the Clayton Act.

The Board has considered Mr. Puelicher's requests and has concluded that, in view of the statutory responsibilities under which the Board and the Department of Justice, respectively, have acted in this matter, it would be inappropriate for the Board either to join Bank Stock Corporation in the defense of the suit in question or to participate or collaborate with that Corporation in the preparation of its defense.

It will be appreciated if you will inform Mr. Puelicher of the Board's conclusions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11
3/30/61

OFFICE OF THE CHAIRMAN

March 30, 1961

The Honorable Porter Hardy, Jr., Chairman,
Foreign Operations and Monetary Affairs Subcommittee
of the Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This refers to your letter of March 28, 1961, requesting that the Board's file in the Matter of the Application of Bank Stock Corporation of Milwaukee, for prior approval of acquisition of voting shares of the Bank of Commerce, Milwaukee, Wisconsin, be made available for examination by the staff of your Subcommittee on Foreign Operations and Monetary Affairs.

The Board will make the file with respect to this application available for the purpose of examination by the staff of your Subcommittee, as specified in your letter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 12
3/30/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 30, 1961



Mr. Herbert J. Miller, Jr.,
Assistant Attorney General,
Criminal Division,
United States Department of Justice,
Washington 25, D. C.

Attention: Mr. Nathaniel E. Kossack,
Chief, Fraud Section.

Re: U. S. v. Baron deHirsch Meyer, et al
(HJM:NEK:fea 29-18-243)

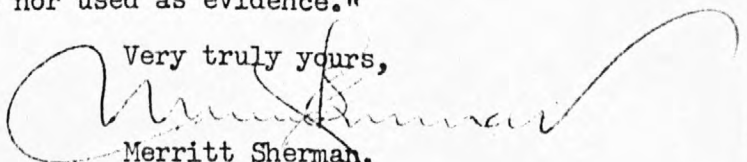
Gentlemen:

This refers to your letter of March 28, 1961, in which you request the continued use of reports of examination of the North Shore Bank, Miami Beach, Florida, for a further period of 90 days from March 18, 1961. The Board agrees to this extension of time under the arrangements previously consummated that the reports are to remain in the custody of Mr. Thomas E. Lindsey, Examiner, Federal Deposit Insurance Corporation, and are not to be presented or taken to the court nor used in evidence in any legal proceeding.

Your letter also requests authorization to make photostatic copies in the office of the United States Attorney, Miami, Florida, of pages 11, 20 and 21 of these reports. Your letter states that these photostatic copies will be employed solely for the confidential information and use of the government attorney for the preparation of the case and that they will not be presented or taken to court nor used as evidence at any stage of the prosecution of this matter.

The Board also agrees to this request provided the copies are prepared and employed as above indicated under the general supervision and control of Mr. Lindsey and provided further that a legend is stamped or written on each copy as follows:

"Solely for the confidential information and use of the United States Attorney, Miami, Florida, and not to be presented or taken to court nor used as evidence."

Very truly yours,

Merritt Sherman,
Secretary.