

Minutes for April 28, 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 Friday, April 28, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Noyes, Director, Division of Research  
and Statistics  
Mr. Holland, Adviser, Division of Research  
and Statistics  
Mr. Koch, Adviser, Division of Research and  
Statistics  
Mrs. Semia, Technical Assistant, Office of  
the Secretary  
Mr. Yager, Economist, Division of Research  
and Statistics  
  
Mr. Stone, Manager, Securities Department,  
Federal Reserve Bank of New York

Money market review. Mr. Yager reported on developments in the Government securities market, distributing illustrative charts and tables, following which Mr. Thomas discussed bank credit conditions and the level of bank reserves.

There followed discussion of an open market matter, concerning which information has been placed in the files of the Federal Open Market Committee.

All members of the staff except Messrs. Sherman, Kenyon, and Molony and Mrs. Semia then withdrew and the following entered the room:

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Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank  
 Operations  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Hooff, Assistant General Counsel  
 Mr. Furth, Adviser, Division of International  
 Finance  
 Mr. Leavitt, Assistant Director, Division of  
 Examinations  
 Mr. Collier, Chief, Current Series Section,  
 Division of Bank Operations  
 Miss Hart, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, St. Louis, Chicago, Minneapolis, Kansas City, and Dallas on April 27, 1961, of the rates on discounts and advances in their existing schedules was approved unani- mously, with the understanding that appropriate advice would be sent to those Banks.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed 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 regarding the question whether certain trans- actions described by State Street Bank and Trust Company, Boston, Massachusetts, would be subject to Regulation T or Regulation U.	1
Letter to the Federal Reserve Bank of New York waiving the assessment of a penalty for a deficiency in required reserves incurred by Hillside National Bank, Hillside, New Jersey.	2

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	<u>Item No.</u>
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an additional investment in bank premises.	3
Letter to National Bank of Bethesda-Chevy Chase, Bethesda, Maryland, approving its application for fiduciary powers.	4
Letter to Drovers National Bank of Chicago, Chicago, Illinois, denying its application to maintain reduced reserves.	5
Telegram to the Federal Reserve Agent at Chicago authorizing the issuance of a general voting permit to The Marine Corporation, Milwaukee, Wisconsin, covering stock in Oak Creek Marine National Bank, Oak Creek, Wisconsin.	6
Letter to the Chairman of the Conference of Presidents regarding the check mechanization program discussed at the joint meeting of the Presidents and the Board on March 7, 1961.	7
Letter to Liberty Bank and Trust Company, Buffalo, New York, approving the establishment of a branch on Niagara Falls Boulevard, corner of Treadwell Road, Township of Tonawanda.	8
Letter to The Maplewood Bank and Trust Company, Maplewood, New Jersey, approving the establishment of a branch at 709 Irvington Avenue.	9
Letter to Central Bank, Grand Rapids, Michigan, approving the establishment of a branch at 1554 Kalamazoo Avenue, Southeast.	10
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Randolph Air Force Base, Bexar County, Texas.	11
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Universal City, Texas.	12

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	<u>Item No.</u>
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Victoria, Texas.	13
Final tax certification with respect to Union Bond & Mortgage Company, Port Angeles, Washington.	14
Letter to the Secretary of the Federal Advisory Council suggesting topics for consideration at the forthcoming meeting of the Board and the Council.	15

In regard to Item No. 1, Miss Hart explained that the question involved appeared to be a fairly simple one, namely, whether the transaction described by State Street Bank and Trust Company in effect constituted a loan to an unregulated lender. The Legal Division had come to the conclusion that no loan was involved, even though funds would be placed in the hands of the unregulated lender, because the underlying transaction on the part of State Street Bank and Trust was the issuance of a letter of credit, which might or might not be used.

Governor Mills commented that although he believed the conclusion was correct, in his opinion the described transaction did not come up to the standards that should be expected in a letter of credit method of financing.

Governor Shepardson expressed a similar view.

Continental Bank matter. In reply to a question by Governor Mills, Mr. Hackley said that the argument on the motion filed on behalf of the Board to dismiss the original complaint by The Continental Bank and Trust Company, Salt Lake City, Utah, was set for June 6, 1961, having

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been deferred from an earlier date principally because the attorney for the Department of Justice who was assigned to the case had been unable to devote his full attention to it. Mr. Hackley added that Mr. O'Connell and the Board's Special Counsel, Mr. Bolling Powell, had prepared, in consultation with the Department of Justice, a rather lengthy brief on behalf of the Board. The brief had since been reduced in size at the suggestion of the Department of Justice and there was some apprehension as to whether that might reduce the effectiveness of the brief. However, he understood that a compromise had now been reached.

Secretary's Note: It was subsequently learned that the oral argument on the motion to dismiss was set for June 14, 1961.

Mr. Collier then withdrew and Messrs. Hexter, Assistant General Counsel, Goodman, Assistant Director, Division of Examinations, and Potter and Smith, Legal Assistants, entered the room.

Report on competitive factors (Bolivar-Grand Junction, Tennessee).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of assets and assumption of deposit liabilities of The Bank of Grand Junction, Grand Junction, Tennessee, by Hardeman County Savings Bank, Bolivar, Tennessee.

During discussion Governor Mills suggested that in situations such as illustrated by the present case, where an area with a number of

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small banks would appear to be better served by a larger institution resulting from a merger, the conclusion of future reports on competitive factors might point out that the public interest would benefit from the proposed transaction despite such lessening of competition or enhancement of market power as might be involved.

Other members of the Board concurred generally with that view, and agreement also was expressed with a minor change suggested by Governor King in the wording of the conclusion of the report under consideration. The report was then approved unanimously, the conclusion reading as follows:

The resulting bank would hold 75 per cent of Bolivar deposits, 50 per cent of Hardeman County deposits, and 27 per cent of the greater area deposits. This proposal would eliminate existing competition between the selling bank and the purchasing bank's Saulsbury branch and would enhance the applicant's existing competitive advantage. However, this advantage should not be so great as to have serious consequences on the Bank of Bolivar or other banks in the area.

Tax exemption for foreign central banks (Item No. 16). A memorandum from the Legal Division dated April 27, 1961, had been distributed, accompanied by a draft of letter to the Bureau of the Budget reporting on enrolled bill H.R. 5189. One section of the bill would amend the Internal Revenue Code of 1954 to exempt from tax the income derived by a foreign central bank of issue from obligations of the United States. The memorandum stated that, although the Board had not previously been asked for a report on this particular bill as introduced in the current session of Congress, it had been asked in August 1959 for a report on

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a proposal then being made by the Treasury Department that would have accomplished the same purpose. The draft reply attached to the memorandum was consistent with the views expressed to the Bureau of the Budget on the Treasury's 1959 proposal.

During discussion Governor Robertson suggested that the letter be changed to delete a statement that the proposed tax exemption would correct an inequity inherent in existing law. In his view there was no inequity; the proposal in effect merely gave foreign central banks the same kind of tax exemption on one kind of income that they already had been given on certain other kinds of income.

Other members of the Board having agreed that the revised language suggested by Governor Robertson would be appropriate, the letter was approved unanimously in the form attached as Item No. 16.

Adjustments in accounts of outstanding old series currency  
(Item No. 17). A memorandum from the Legal Division dated April 20, 1961, had been circulated, accompanied by a draft of letter to Chairman Robertson of the Senate Committee on Banking and Currency reporting on S. 1619, "to authorize adjustments in accounts of outstanding old series currency, and for other purposes." The bill would affect the Federal Reserve System in that it provided that the Board, with the approval of the Secretary of the Treasury, could require any Federal Reserve Bank to pay to the Treasury an amount equal to the amount of Federal Reserve notes of any series prior to the series of 1928 issued by such Bank and outstanding at the time of such payment. The bill also provided that

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the liability of a Federal Reserve Bank with respect to its outstanding Federal Reserve notes was to be reduced by any amount so paid to the Treasury. The bill was similar in substance to one on which the Board had reported favorably in 1959.

The letter was approved unanimously, subject to a minor editorial change suggested during discussion. A copy of the letter, in the form in which it was sent to Chairman Robertson, is attached as Item No. 17.

Powers of foreign branches of national banks. A memorandum from the Legal Division dated April 25, 1961, had been distributed in connection with a proposed amendment to section 25 of the Federal Reserve Act. As noted in the memorandum, Chairman Martin had received a letter dated March 28, 1961, from Chairman Robertson of the Senate Committee on Banking and Currency stating that the American Bankers Association had submitted to the Senator a draft bill to amend section 25 of the Federal Reserve Act to permit the Board of Governors to issue regulations authorizing foreign branches of national banks to exercise "such further powers as may be usual" in the banking business as conducted in the places where the branches were located. The draft bill, apparently prepared at the instance of certain national banks, was submitted with the approval of the American Bankers Association. Senator Robertson stated in his letter that before he introduced such a bill he would appreciate having Chairman Martin's advice.

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The draft bill was similar to a bill introduced by Senator Robertson in 1956 upon the recommendation of the Board of Governors and later incorporated in the Financial Institutions Act of 1957, which failed of enactment although it passed the Senate. However, the present proposal differed from the earlier one in two respects. The earlier version provided that in no event could the Board's regulations permit a foreign branch (1) to engage in the general business of producing, distributing, buying or selling goods, wares, or merchandise or (2) to engage or participate in the business of underwriting, selling, or distributing securities (with an exception for securities of a "foreign state" as defined in section 25(b) of the Federal Reserve Act). The current proposal retained the first limitation but added an express exception for "goods, wares, or merchandise theretofore hypothecated with any such foreign branch to secure loans or advances." The Legal Division considered the express exception unnecessary and perhaps undesirable, but did not consider that objection in itself sufficient to warrant opposition to the proposed bill.

The second difference between the earlier version and the proposed bill was that the latter omitted entirely the limitation on investment banking functions. However, under the first sentence of the proposed amendment to section 25, in both its present and earlier forms, foreign branches could exercise no additional powers except as authorized by regulations. In view of that fact, the memorandum suggested that the

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Board might feel that the limitation could as well be dealt with in regulations as covered in the statute itself. On the other hand, the earlier proposal, including the limitation, had received extensive consideration prior to its submission by the Board to the Chairmen of the Senate and House Banking and Currency Committees.

Governor Mills opened the discussion by expressing the view that the Board would be well advised to fall back on its original position, embodied in its 1956 proposal that was incorporated in the Financial Institutions Act of 1957. That proposal had been carefully analyzed before it was recommended, and he found it difficult to justify the relaxation that was inherent in the present proposal. In his opinion, the Board would be in a much stronger position if foreign branches were forbidden by statute to engage in the investment field than if that subject were left to be dealt with by regulation.

Governor Robertson indicated that in his opinion the Board should say flatly that the original proposal would be preferable, following which Governor Shepardson likewise expressed the view that the report should follow closely the original position taken by the Board.

After further discussion it was agreed that the letter to Chairman Robertson would be redrafted, for the Board's consideration, along the lines suggested at this meeting.

Messrs. Furth, Goodman, and Potter then withdrew.

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Application by Southern Arizona Bank and Trust Company (Item No. 18). At its meeting on April 25, 1961, the Board considered the application of Southern Arizona Bank and Trust Company, Tucson, Arizona, to establish a branch at 313 North Central Avenue in Phoenix. Action was deferred pending a check with the Office of the Comptroller of the Currency to determine whether any applications of another Western Bancorporation subsidiary (First National Bank of Arizona, Phoenix) to establish additional branches in Phoenix had been denied recently. In a memorandum dated April 27, 1961, which had been distributed, the Division of Examinations reported that it had been ascertained that no such applications by First National had been denied. It was also stated by the Comptroller's Office that any application of First National presumably would be considered on its merits.

The memorandum also noted that, in response to an inquiry from Vice President Pondrom of the Federal Reserve Bank of Dallas at the time Southern Arizona's application was being investigated, Vice President Galvin of the Federal Reserve Bank of San Francisco had indicated that the San Francisco Bank held the general opinion that the Phoenix area was in danger of becoming overbanked. In some instances, in response to telegrams from the Board inquiring whether there were any branch applications by State member banks that would conflict with applications being considered by the Comptroller of the Currency or the Federal Deposit Insurance Corporation, the San Francisco Reserve Bank

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had indicated that there was no apparent need for additional banking offices in the Phoenix area. Mr. Galvin observed that Southern Arizona Bank had no direct representation in Phoenix, and commented that that bank and First National were subsidiaries of the same bank holding company. However, Mr. Galvin made no specific recommendation concerning the proposed branch.

Governor Mills stated that the additional information strengthened his conviction that the application should be denied. In his view the application represented essentially an effort to expand the sphere of influence of a bank holding company. It should be viewed in that light primarily, and only secondarily as an effort by a State member bank to provide additional banking services. In this connection, Governor Mills noted that the Board, in its 1958 report to Congress regarding the Bank Holding Company Act, recommended an amendment that would have required a bank holding company seeking to expand through merger of a subsidiary bank with another bank to obtain the approval of the Board. Erroneously, in his opinion, the Board decided against repeating that recommendation in its 1960 Annual Report.

Governor Robertson said that, although the case was a difficult one and he did not have strong views, he would favor approval. The establishment of the branch would represent an expansion of one of the two large banking organizations in the State. By going into Phoenix, however, Southern Arizona Bank and Trust Company would provide additional

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competition for a much larger bank, Valley National, and Valley's associated bank, The Bank of Arizona.

Governor Shepardson asked what weight should be given to the view of Mr. Galvin that the Phoenix area was in danger of becoming overbanked. Mr. Leavitt replied that, although the San Francisco Bank had several times expressed reservations about the need for additional branches in Phoenix, Mr. Galvin had phrased his letter to the Dallas Bank more or less in generalities, thus leaving it to Dallas to make its own recommendation in this particular case.

Mr. Solomon commented that it did not appear to the Division of Examinations that Phoenix was overbanked to a degree that would warrant turning down the application on that basis. After reviewing the banking facilities available in the Phoenix area and deposit percentages of Valley National and First National, he stated that the application presented a hard choice either way. However, by comparison with Valley National, the operations of the Western Bancorporation subsidiaries did not seem so large, and on balance the Division concluded that competition might be served better by approving the branch than by denying it.

Governor Shepardson then expressed the view that the situation presented a difficult choice. In view, however, of the local competitive situation, and if the inference of overbanking was not valid, he would favor approval of the application.

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Governor King also indicated that he would favor approval of the application. He remarked that apparently there could be different standards as to what constituted overbanking. In his opinion a community would be overbanked if it had a superfluous number of individual competitors, whereas an area might be heavily populated with banking offices but not necessarily be overbanked.

Governor Balderston stated that he favored approval of the application, first because Valley National seemed so strong that he instinctively leaned toward building up competition for it, and second because in his thinking he distinguished the opening of a new branch that added to the convenience of the public from the elimination of a bank by merger.

The application was thereupon approved, Governor Mills dissenting. A copy of the letter notifying Southern Arizona Bank and Trust Company of the Board's approval is attached as Item No. 18.

In recording his dissent, Governor Mills commented that if this application should be reviewed by the Hardy Subcommittee (Foreign Operations and Monetary Affairs Subcommittee of the House Committee on Government Operations) or by the Department of Justice, the Board would, in his opinion, find it difficult to justify its decision.

Mr. Farrell noted that if Southern Arizona Bank and Trust Company established a branch in Phoenix it would become a reserve city bank under the tentative rules for classification of reserve cities that had been published in the Federal Register for comment.

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Messrs. Farrell, Hooff, and Leavitt then withdrew from the meeting.

Regulation T--withdrawals and substitutions (Item No. 19). A memorandum dated April 25, 1961, from the Legal Division had been distributed in connection with a letter from representatives of the National Association of Investors' Brokers and the Association of Customers' Brokers requesting an opportunity to appear before the Board, or anyone the Board might designate, "to discuss the inequities of the present 'substitution rule' for undermargined accounts and to suggest possible alternatives." It was noted that one of the signers of the letter had corresponded with the Board on the same subject in 1960. Although it seemed questionable whether the signers of the letter had any new proposal to offer, there seemed to be no reason why they should not be permitted to meet with members of the Board's staff. Therefore, a draft of letter granting the request was submitted with the memorandum.

After a brief discussion it was agreed unanimously that the opportunity for such a meeting should be extended. Attached as Item No. 19 is a copy of the letter subsequently sent in this regard.

Miss Hart then withdrew from the meeting.

Treatment of municipals in examination reports. Governor Mills referred to a digest that had been distributed under date of April 14, 1961, regarding the conference of representatives of Bank Examination Departments of the Federal Reserve Banks held on March 20 and 21, 1961.

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In particular, he mentioned the discussion of the question of omitting, at the option of a Reserve Bank, detailed listings of Group 1 municipal general obligations from reports of examination. He asked Mr. Solomon if this discussion signified that it was contemplated that certain municipals would be treated in bulk, without appraisal. If such an approach was contemplated, he would regard it as a step backward, not only from the standpoint of providing guidance to member banks but also in judging the quality of member bank portfolios.

Mr. Solomon responded that there was no suggestion that examining procedures be relaxed or that the appraisal of municipal securities be omitted. In those respects, the attitude of the Division of Examinations would be much along the lines mentioned by Governor Mills. However, it had been suggested that the work load of preparing examination reports might be lightened to some extent by grouping certain issues. No action had been taken on that suggestion, and it was understood that the Board's staff would consider the matter further.

Common trust fund practices. Governor Mills referred to a conversation he had had the preceding day with an officer of the Girard Trust Corn Exchange Bank of Philadelphia in regard to certain practices of that bank relating to common trust fund operations.

After Governor Mills had commented on his adverse reaction to the reported practices, Mr. Solomon noted that consideration by the staff of these possibilities had led to the proposed amendment to Regulation F,

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now pending, that would prohibit participation of certain revocable trusts in common trust funds.

The meeting then adjourned.

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

April 27

Acceptance of resignations

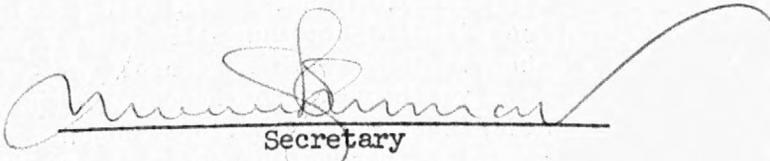
Edward P. Snyder, Economist, Division of Research and Statistics, effective at the close of business April 29, 1961.

Viola Brosnahan, Clerk-Stenographer, Division of Administrative Services, effective April 28, 1961.

April 28

Salary increase

Irene Butter, Economist, Division of Research and Statistics, from \$6,600 to \$7,560 per annum, effective April 30, 1961.

  
Secretary

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

Item No. 1  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



Mr. Dana D. Sawyer, Vice President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Sawyer:

This refers to your letter dated April 3, 1961, requesting the Board's opinion whether certain proposed transactions between State Street Bank and Trust Company of Boston, Massachusetts, described in enclosures, would be subject to Regulation T or Regulation U.

The Board has reviewed the letter and enclosures and agrees with your view that the transaction described does not involve a loan within the meaning of Regulation U. Since there is no extension of credit by a broker or dealer, Regulation T would not, of course, be involved.

In their opinion letter enclosed with your letter of April 3, counsel for State Street Bank and Trust Company raise the question whether - assuming that there were a loan - any extension of credit to an unregulated lender subject to section 221.3(q) of Regulation U would be involved. In this connection it could be relevant that the Board has determined that James D. O'Donnell and Co., Inc. is a lender subject to that section of the regulation. Accordingly, any loan by a bank, whether made directly to the O'Donnell Company or through an intermediary, would have to be secured in the manner required by the regulation for loans secured by "any stock" and the loan be subject to other applicable provisions of the regulation in regard to substitutions, withdrawals, and the like.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 2  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961

Mr. D. C. Niles, Manager,  
Accounting Department,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Niles:

This refers to your letter of April 13, 1961, regarding a penalty incurred by the Hillside National Bank, Hillside, New Jersey, for an average daily deficiency of \$163,300, or nearly six per cent, in its required reserves for the biweekly computation period ended April 5.

It is noted that the deficiency resulted from the subject bank overlooking the fact that the Reserve Bank was open on Friday, March 31, a holiday in New Jersey, and a partial remittance for a cash letter, sent to your Bank on March 30, was debited on March 31 rather than on April 3 as the bank had expected; the president of the bank takes great pride in maintaining his reserve account in accordance with the regulation; and the bank has an excellent record of maintaining its reserve balances.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of the penalty.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 3  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961

Board of Directors,  
Fidelity-Philadelphia 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, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$160,000 in bank premises by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, for the purpose of leasehold improvements at the main office, as well as real estate, real estate improvements, and leasehold improvements at branch offices for the year 1961.

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  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961

Board of Directors,  
National Bank of Bethesda-Chevy Chase,  
Bethesda, Maryland.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants National Bank of Bethesda-Chevy Chase authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, 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 Maryland. 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. 5  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961

Board of Directors,  
Drovers National Bank of Chicago,  
Chicago, Illinois.

Gentlemen:

This relates to the application from your bank, submitted through the Federal Reserve Bank of Chicago, for permission to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities.

In the light of the volume of your bank's total demand deposits, its interbank demand deposits, the rate of your deposit turnover, and your competition with other banks, the Board feels that the character of your bank's business is more nearly like that of the other central reserve and reserve city banks in Chicago than that of Chicago banks to which the Board has granted permission to maintain reduced reserves. Accordingly, the Board believes that it would not be justified in granting your application for reduced reserves.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



TELEGRAM  
LEASED WIRE SERVICEItem No. 6  
4/28/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

April 28, 1961

BRIGGS - CHICAGO

KEBJE

- A. The Marine Corporation, Milwaukee, Wisconsin.
- B. Oak Creek Marine National Bank, Oak Creek, Wisconsin.
- C. None.

(Signed) Elizabeth L. Carmichael

CARMICHAEL

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

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

Item No. 7  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961

Mr. Malcolm Bryan, Chairman,  
Conference of Presidents,  
c/o Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Bryan:

This refers to the check mechanization program which was discussed at the joint meeting of the Presidents with the Board on March 7, 1961. At that time it was stated that the Conference had approved a report dated February 17 by the Subcommittee on Electronics which (1) submitted current information on the pilot test program, (2) recommended that the contract employing the Stanford Research Institute as consultants be extended for another year at the current rate, and (3) advised that the activities of the Subcommittee and of the consultants during the next few months would be concerned mainly with evaluation of the equipment.

The Board was pleased to learn that the check mechanization program is developing satisfactorily and that some preliminary evaluations of the pilot equipment will soon be possible.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 8  
4/28/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



Board of Directors,  
Liberty Bank and Trust Company,  
Buffalo, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Liberty Bank and Trust Company, Buffalo, New York, on the west side of Niagara Falls Boulevard, corner of Treadwell Road, Township of Tonawanda, New York, 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. 9  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



Board of Directors,  
The Maplewood Bank and Trust Company,  
Maplewood, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 709 Irvington Avenue, Maplewood, New Jersey, by The Maplewood Bank and Trust Company, Maplewood, New Jersey, 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. 10  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



Board of Directors,  
Central Bank,  
Grand Rapids, 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 1554 Kalamazoo Avenue, Southeast, Grand Rapids, Michigan, by Central 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.

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

Item No. 11  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961

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

Attention: Mr. G. W. Garwood,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated March 8, 1961, enclosing copies of an application to organize a national bank at Randolph Air Force Base, Bexar County, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proposed capital structure would be adequate and management satisfactory. Earnings prospects are regarded as poor as it seems doubtful the bank would retain all military accounts now served by the facility operating on the base, and proponents agree that no large volume of deposits would be acquired from individuals and businessmen residing outside the base as non-military individuals frequently object to entering a military reservation to do their personal banking. It appears there is little need for additional services and conveniences which would be provided by the unit bank as military personnel are not demanding improved services and others would apparently make little use of them. In the circumstances, the Board of Governors does not feel justified in recommending favorable consideration of the application.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 12  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



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

Attention: Mr. G. W. Garwood,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 25, 1960, enclosing copies of an application to organize a national bank at Universal City, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proposed capital structure of the bank would be satisfactory. However, proposed management does not appear acceptable and prospects for profitable operations seem marginal and dependent to a large degree upon closing the banking facility at Randolph Air Force Base. The area is now reasonably well served by existing nearby banks and the facility at the air base and no strong degree of need is evident. In the circumstances, the Board of Governors does not feel justified in recommending favorable consideration of the application at this time.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 13  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 28, 1961

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

Attention: Mr. G. W. Garwood,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated February 6, 1961, enclosing copies of an application to organize a national bank at Victoria, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proposed capital structure would be adequate. Proposed management is considered fair, as there seems to be some doubt that the proposed managing officer will be able to guide the energies of the proposed chairman of the board along satisfactorily conservative paths. Earnings prospects are regarded as marginal as the slow deposit growth of other area banks indicates that difficulty may be encountered in obtaining a satisfactory level of deposits. The area to be served now has reasonably convenient banking facilities, and any substantial volume of deposits which would be obtained might well be to the detriment of the nearby State bank. In the circumstances, the Board of Governors does not feel justified in recommending approval of the application.

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

Very truly yours,

*Elizabeth L. Carmichael*

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 14  
4/28/61

C E R T I F I C A T I O N

Pursuant to section 1101(e)(1) of the Internal Revenue Code of 1954, the Board of Governors of the Federal Reserve System hereby certifies, to the best of its knowledge and belief, that, before the expiration of the period permitted under section 4(a) of the Act, Union Bond & Mortgage Company, Port Angeles, Washington, a registered bank holding company, has disposed of all the property the disposition of which is necessary or appropriate to effectuate section 4 of the Bank Holding Company Act of 1956.

Executed in Washington, D. C., pursuant to direction of the Board of Governors of the Federal Reserve System.

(SEAL)

(Signed) Merritt Sherman  
Merritt Sherman,  
Secretary.

Date: April 28, 1961

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

Item No. 15  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
c/o The First National Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held on May 15, 1961, and for discussion at the joint meeting of the Council and the Board on May 16:

1. What are the views of the Council regarding the current business situation and prospects for the remainder of the year? What indications are there that recovery is progressing? What elements in the situation seem most likely to advance or to retard recovery during the remainder of this year? Does it appear that recovery in this period will be rapid (as in 1958) or slow (as in 1954)? Is the unemployment situation showing signs of improvement?
2. Are business plans for plant and equipment expenditures showing any tendency to increase beyond earlier intentions? Are businesses showing any interest in increasing inventories or is inventory contraction likely to continue?
3. What are the prospects for an expansion in home building or in other construction activity? What is the state of the market for existing real estate? Has there been any notable change recently in the demand for mortgages for investment, in the available supply of mortgage funds, or in interest rates on mortgages? What would be the effect on the demand for housing if mortgage maturities on low-cost new homes and on loans for modernization and additions were lengthened?
4. Are demands for credit -- short-term or long-term -- increasing or decreasing as compared with earlier this year? What are the expectations of the Council with respect to demands for bank loans relative to the usual seasonal pattern? Is there any evidence from the demands for bank loans that would throw light on recent changes in business inventories? Are banks in a position to meet qualified demands for credit?

Mr. Herbert V. Prochnow

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5. To what extent have time certificates of deposit in large denominations been responsible for recent increases in time deposits at banks? If the volume of such certificates should increase substantially, how might that affect the portfolio management of banks?

6. Are there any indications of changes in the attitude of banks toward the distribution of their assets according to liquidity or maturity?

7. What are the prospects for an early resumption of growth in consumer instalment credit? Is the expansion of such credit, when it comes, likely to be mild or vigorous? To what extent are downpayment and maturity standards changing or likely to change?

8. What are the views of the Council with respect to recent developments in the stock market? Have these developments mainly reflected or anticipated economic recovery, or are there indications that a resurgence of inflationary expectations is also an important factor? Is there evidence of growth of speculative fever in markets for capital assets generally, including urban and rural real estate as well as the stock market? Would a break in the stock market, should one occur, be likely to have a significant effect on economic recovery by damaging business confidence and affecting business decisions to purchase new plant and equipment?

9. What are the views of the Council regarding current monetary and credit policy?

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 16  
4/28/61

OFFICE OF THE VICE CHAIRMAN

April 28, 1961

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

Dear Mr. Hughes:

This is in response to your communication of April 25, 1961, requesting the views of the Board on the enrolled bill, H.R. 5189, which would amend the Internal Revenue Code of 1954 to exempt from tax income derived by a foreign central bank of issue from obligations of the United States, and for other purposes.

The Board has no comment to offer with respect to section 2 of the bill relating to the taxation of small business corporations where community property is involved.

Section 1 provides tax exemption for income derived by foreign central banks of issue from United States Government obligations. Foreign central banks at present enjoy tax exemption for income derived from bankers' acceptances and (like all persons not engaged in trade or business in the United States) for income derived from deposits with United States banks. It would seem equally appropriate to provide a similar tax exemption for the income that foreign central banks derive from United States Government securities which, because of their safety and liquidity, are a highly desirable investment for foreign central banks.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 17  
4/28/61

OFFICE OF THE VICE CHAIRMAN

April 28, 1961

The Honorable A. Willis Robertson,  
Chairman,  
Committee on Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your communication of April 17, to Chairman Martin, requesting the Board's views regarding S. 1619, "To authorize adjustments in accounts of outstanding old series currency, and for other purposes."

It is understood that S. 1619 is substantially the same as S. 1177 (86th Congress) on which the Board submitted a favorable report to your Committee under date of March 25, 1959. The Board continues to endorse enactment of the proposed legislation.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,  
Vice Chairman.

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

Item No. 18  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1961



Board of Directors,  
Southern Arizona Bank and Trust Company,  
Tucson, Arizona.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves the establishment by Southern Arizona Bank and Trust Company, Tucson, Arizona, of a branch at 313 North Central Avenue, Phoenix, Arizona, provided the branch is established within six months from the date of this letter.

It is understood that additional capital stock is to be sold in the reasonably near future to provide an aggregate increase of capital funds in the amount of \$2,400,000.

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. 19  
4/28/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 28, 1961

Mr. Vincent Dimiceli, Jr.,  
Mr. Albert P. Gross,  
134 South La Salle Street,  
Chicago 3, Illinois.

Gentlemen:

This refers to your letter of April 18, 1961, requesting the opportunity to discuss the Board's withdrawal and substitution rules under section 220.3(b)(2) of Regulation T. While this subject was discussed in Mr. Dimiceli's letter of April 13, 1960, and the Board's reply of May 10, 1960, the Board will be happy to have members of its staff who work directly in the area of margin regulation meet with you, or with anyone from your associations. It would be helpful in making arrangements if you could give several days' notice to the Office of the Secretary if you wish to arrange such a meeting.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.