Minutes for June 16, 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. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System on Friday, June 16, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
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. Molony, Assistant to the Board
Mr. Fauver, 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
Mr. Landry, Assistant to the Secretary
Mr. Petersen, Special Assistant, Office of the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Yager, Economist, Government Finance Section, Division of Research and Statistics

Money market review. Mr. Yager reported on recent developments in the money market, following which Mr. Thomas described developments with respect to bank reserves, the money supply, and related matters. Mr. Eckert then distributed charts relating to the liquidity position of the banking system and commented on that subject.

Messrs. Young, Holland, Koch, Petersen, and Yager then withdrew from the meeting and the following entered the room:

Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations

Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Benner, Assistant Director, Division of Examinations
Miss Hart, Assistant Counsel
Mr. Troup, Supervisory Review Examiner, Division of Examinations
Mr. Achor, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on June 15, 1961, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

	Item No.
Letter to The Cleveland Trust Company, Cleveland, Ohio, approving an extension of time to establish a branch at 14481 Cedar Road.	1
Letter to all Federal Reserve Agents requesting tabulations showing the dates on which certain Federal Reserve notes were issued to the Reserve Banks by the Federal Reserve Agents. (With copies to the Presidents of all Federal Reserve Banks.)	2
Letter to the Comptroller of the Currency regarding the proposed Federal Reserve note printing order for the fiscal year 1962.	3

Messrs. Farrell and Daniels withdrew from the meeting at this point.

Request of Justice Department. Consideration had been given at the meeting on June 13, 1961, to a memorandum from Mr. Noyes dated June 9, 1961, concerning a request of the Department of Justice for a list of the 1,900 banks which submitted reports in the 1955 business loan survey or, as an alternative, an indication as to which of the 43 banks listed in its letter submitted reports in that survey. Following discussion of the matter, it was understood that the staff would draft a reply to the Justice Department. Pursuant to this understanding, there had been distributed under date of June 15, 1961, a draft of reply to the Department setting forth the names of the 22 reporting banks from among the 43 listed in its letter, but strongly urging, for reasons stated, that in communicating with banks in the course of its investigations the Department avoid reference, directly or indirectly, to Federal Reserve surveys or statistical reports.

In response to a question from Mr. Noyes as to whether the letter, as drafted, reflected the consensus of the Board regarding an appropriate reply to the request from the Department of Justice, Governor Robertson said that it reflected his views. However, for the purpose of added emphasis, he suggested a rearrangement of the contents of the letter.

Governor Shepardson stated that the letter did not reflect his views, since he believed this was a situation in which the Board could justifiably decline to supply the information requested. He then suggested the type of reply he would have in mind.

Governor Mills concurred in the point of view expressed by Governor Shepardson.

Therefore, following further discussion, it was understood that alternative drafts of reply to the Department of Justice would be prepared for consideration by the Board, it being contemplated that a reply, when approved by the Board, would be held for discussion with Assistant Attorney General Loevinger if he should be able to accept an invitation to meet with the members of the Board in the near future.

Messrs. Thomas, Molony, Noyes, O'Connell, and Eckert then withdrew from the meeting.

Questions under Regulations T and U (Item No. 4). Distribution had been made of a memorandum from the Legal Division dated June 15, 1961, relating to the general question of the status under Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks, of loans to pay life insurance premiums, with collateral consisting of mutual fund shares.

The memorandum referred to receipt of a letter dated May 24, 1961, from Mr. Martin Ginsburg of New York City, attorney for a corporation seeking to register a stock issue with the Securities and Exchange Commission, who asked that a question be determined with respect to affiliates of his client. The question posed by Mr. Ginsburg was similar to the one that had been under

study for some months by the Board's staff, namely, whether a loan by a bank for the purpose of paying life insurance premiums was subject to Regulation U, where the loan would be secured by shares in a mutual investment fund and the arrangements for the loan would be made as part of a "package" at the time the shares were purchased. The circumstances surrounding Mr. Ginsburg's request were, briefly, that there were three affiliates of his client; one would sell mutual fund shares, a second would lend money on the security of those shares, and the third would sell life insurance. Since the second affiliate would borrow from banks to finance the lending program, it would be an "unregulated lender" (subject to section 221.3(q) of Regulation U) and the bank loans would be regulated loans if the Board were to rule that the loans were in effect being made for the purpose of buying the mutual fund shares as well as for the purpose of paying the insurance premium.

In these circumstances, and in view of related questions under section 11(d) of the Securities Exchange Act of 1934, the Securities and Exchange Commission had refused to permit the registration statement to become effective until such time as the status of the loans was resolved by the Board and by the Commission. In an effort to speed registration, Mr. Ginsburg offered on behalf of his client an undertaking that, pending determination of the underlying question, none of the affiliates would lend money on collateral consisting of securities sold by any of the

affiliates during the preceding three months, and that no arrangement or understanding as to the pledge of the securities for loans to pay life insurance premiums would be made or entered into at the time the shares were sold. The Securities and Exchange Commission had agreed to accept this undertaking as part of the registration statement, if this position was acceptable to the Board. It was the view of the Legal Division that no question as to the applicability of Regulations T or U to the activities of the corporations affiliated with Mr. Ginsburg's client would arise so long as the proposed undertaking was in effect. Therefore, it was the Division's recommendation that a letter be sent to Mr. Ginsburg in substantially the form of a draft reply attached to the memorandum. The memorandum noted, however, that Mr. Ginsburg had requested that the Board continue to consider the underlying question and that an interpretation be issued on this point.

In discussion of the matter, Governor Mills inquired as to the advisability of informing Mr. Ginsburg along the lines suggested when the underlying question had not yet been resolved. The decision on that question, and the related questions under section 11(d) of the Securities and Exchange Act of 1934, would appear to have a significant bearing on the attractiveness of the securities proposed to be issued by Mr. Ginsburg's client. If the securities were offered subject to the proposed undertaking, misunderstandings might arise, with resultant complications if the Board should subsequently conclude that the loans in question were subject to Regulations T and U.

Staff replies were to the effect that the Securities and Exchange Commission proposed to accept the registration statement under the conditions described, it being understood that the prospectus would include a clear statement that no "package" deals were to be entered into as long as the proposed undertaking was in effect. Thus, the only point on which the Board needed to pass at the present time was whether the limited transactions proposed to be entered into were subject to Regulations T and U, and it seemed rather clear that they would not be. In substance, then, although the problems referred to by Governor Mills were in the picture, the decision whether to permit the registration statement to become effective was within the province of the Securities and Exchange Commission. As to the underlying question, that is, whether loans for the purpose of paying life insurance premiums would be subject to Regulation U where the loans were secured by shares in mutual investment funds and arrangements for the loans were made as part of a "package" at the time the shares were purchased, difficulty had been encountered in obtaining adequate information. It was hoped that a suggested interpretation could be presented to the Board for consideration in the relatively near future, but even so the variety of possible arrangements under which activities of this kind could be conducted might present a substantial problem.

Following further discussion, approval was given to the letter to Mr. Ginsburg, a copy of which is attached as Item No. 4. In this connection, Governor Shepardson indicated that he shared the apprehensions expressed by

Governor Mills but saw no other answer to be given at this time. Governor Mills indicated that he did not wish to dissent from the sending of the letter. However, he was not sanguine about the developments that might occur.

Miss Hart then withdrew from the meeting and Mr. Hooff, Assistant General Counsel, entered the room.

Request by Justice Department re examination reports of North Shore Bank (Item No. 5). In connection with certain criminal prosecutions against officers and directors of the North Shore Bank, Miami Beach, Florida, the Board had permitted the examination reports of the bank for the past 15 years to be placed in the custody of Thomas E. Lindsey, an examiner for the Federal Deposit Insurance Corporation, for assistance to the United States Attorney in Miami in obtaining information for the prosecution of the case but not for use in evidence. The Board had been requested to make available both the open and confidential sections of the examination reports, but it decided to make available only the open sections.

Under date of June 9, 1961, a letter was received from the Department of Justice requesting that the period for the retention of these examination reports in the custody of Mr. Lindsey be extended for an additional 90 days from June 18, 1961, and in the opinion of the Division of Examinations, as expressed in a memorandum distributed to the Board under date of June 14, 1961, the best course of action would be to grant the requested extension, subject to the same terms as the original loan. A draft of letter to the Department of Justice was attached to the memorandum.

The memorandum also referred to an informal request by the Justice Department to discuss the contents of the confidential sections of the reports in the Board's offices, the purpose being to help the prosecution prepare against the possibility of unanticipated assertions by the defendants at the time of the trial. With respect to this request, it was the view of the Division of Examinations that it would be undesirable as a matter of policy to make the confidential sections of the reports available to, or even discuss them with, the Department of Justice. If the Board agreed with this view, the Division proposed to advise the Justice Department accordingly by telephone.

In commenting on the memorandum of the Division of Examinations, Mr. Solomon noted that the Federal Reserve Bank of Atlanta concurred in the position taken by the Division on the question of the confidential sections.

Following discussion, during which Governor Mills requested that the record show that he continued to disassociate himself from the action taken in making available the examination reports of North Shore Bank to the United States Attorney, the letter to the Justice Department was approved, Governor Mills abstaining. A copy of the letter is attached as Item No. 5. On the request relating to the confidential sections of the reports, it was agreed that the Division of Examinations would advise the Justice Department informally along the lines suggested in Mr. Solomon's memorandum.

Mr. Benner withdrew from the meeting at this point and Mr. Molony re-entered the room.

Application of Citizens Commercial & Savings Bank. Application had been made by Citizens Commercial & Savings Bank, Flint, Michigan, for consent to the proposed consolidation of that institution with The Old Corunna State Bank, Corunna, Michigan, and for permission to operate a branch at the present office of Old Corunna. In a memorandum dated June 6, 1961, copies of which had been distributed to the Board, the Division of Examinations recommended approval of the application, as had the Federal Reserve Bank of Chicago. There had also been distributed a second memorandum from the Division of Examinations, dated June 8, 1961, informing the Board of receipt of an application by Citizens Commercial to consolidate with Chesaning State Bank, Chesaning, Michigan. The June 8 memorandum noted that the Michigan State Banking Department had approved the consolidation of Citizens and Old Corunna but, so far as was known, had not yet acted on the other application. Based on past experience, the State Banking Department might not act for two or three months or longer. Therefore, it appeared that the Board had the following alternatives:

1. It could act upon the application to consolidate Citizens Commercial & Savings Bank and The Old Corunna State Bank at this time.

2. It could defer action on the Citizens-Old Corunna case until the memorandum on Citizens-Chesaning had been prepared, at which time the Board could act upon the Citizens-Old Corunna application or even on both in the event the State Banking Department had approved the consolidation of Citizens-Chesaning.

3. The Board could defer action on both cases until the State had acted on Citizens-Chesaning.

In the event the Board should decide to adopt either the second or the third alternative, it was suggested that it would be advisable to inform Citizens Commercial & Savings Bank of the circumstances.

On the question of procedure, it was the consensus, after consideration of this aspect of the matter, that the Citizens-Old Corunna case should be considered without delay. In reaching this consensus, the Board had before it comments by Mr. Solomon to the effect that on the basis of preliminary review of the Citizens-Chesaning application, an adverse decision on the Corunna case might tend, in practical effect, to foreclose favorable consideration of the Chesaning case. According to Mr. Solomon, it appeared to the Division of Examinations, upon initial inspection, that the Chesaning application might not present as strong a case for approval as the Corunna application.

As to the merits of the instant case, Mr. Solomon commented that the applicant bank was one of two local banks headquartered in Flint, with deposits somewhat larger than the other institution. There was also a branch of Michigan National Bank, Lansing, Michigan, and competition among the three institutions was keen. The two local banks each had a considerable number of branches in Flint and the surrounding area, while Michigan National was limited under State law to the single branch in the Flint area. The two local Flint banks had been expanding within a 20-mile radius of the city and were now moving beyond that area into the 25-mile radius. While it would be

possible under State law for banks in Pontiac, Saginaw, and Lansing to get into this area to some extent, thus far they had not done so. Also, because of the State law, the Flint banks could not go into the surrounding communities in which banks were already in operation and establish branches; therefore, their only recourse was to buy out the existing bank. If deposits at banking offices in the city of Flint were included, the banks in that city were, of course, dominant in terms of area deposits. In terms of deposits at offices outside the city of Flint, the holdings of the two local banks were substantial, but not unduly large in relation to the total.

The report of the Department of Justice on competitive factors expressed the view that a degree of competition existed between the applicant bank and the bank in Corunna, 21 miles away, but in the opinion of the Division of Examinations there was not very much competition. More appeared to exist between the Corunna bank and the banks in nearby Owosso.

On the basis of the facts of the specific case, the Division of Examinations recommended favorable action on the application, although with some doubts because of the question as to how far the absorption by the Flint banks of the independent banks within a 25-mile radius should be permitted to go. However, the two local banks were in strong competition with each other and with the Flint branch of Michigan National, and ringing the area were a number of fairly large cities with banks of substantial size.

Governor Mills expressed the view that the application could reasonably be approved. Mr. Solomon had explained the problems and difficulties involved, but the recommendation the Division of Examinations had reached, on balance, was the conclusion that he (Governor Mills) also had reached. Although consummation of the proposed merger would expand the size of the applicant bank, there were alternative sources of credit, many of them, throughout the area. Also, it did not appear to him that the smaller banks competing in the general area would be damaged by favorable action on this particular application.

Governor Robertson indicated that he would favor denying the application. First, there was a history showing that in the past decade 11 of the 19 banks serving the area within a 20-mile radius of Flint, but excluding the city, had been absorbed, ten by the two local banks in Flint. Second, the applicant bank was proposing to pay a premium equivalent to approximately three per cent of the total deposits of the Corunna bank (and seven per cent in the Chesaning case), thus affording an indication of the motivating influence behind these proposals. Third, there was a real concentration of area banking resources in the two Flint banks, and the absorption of banks in the surrounding area might well continue until they were all absorbed unless a line was drawn at some place. To him, this appeared to be a good place to draw the line. Fourth, he could not find any benefits that would flow to the public by virtue of the proposed merger. There was no evidence that the bank in

Corunna was not serving the public satisfactorily; as a matter of fact, the evidence was to the contrary. The bank was a good earner and a sound institution. The merger would simply eliminate one currently available source of banking services and substitute a branch of a bank that was already available 21 miles away.

Governor Shepardson said he could agree with the Division of Examinations as to the specific situation. However, in light of the gradual encroachment of the two Flint banks in the area concerned, it seemed desirable at some place to find a dividing line, and this might be the appropriate place. The Corunna bank evidently was doing well, and it was fairly sizable in relation to the other banks in the area surrounding Flint. All things considered, even though he felt the Division of Examinations had made a good case as far as this particular application was concerned, he would align himself against approval of the application, on the basis that in a gradual encroachment of this kind a dividing line must be drawn at some point.

In subsequent comments, Governor Shepardson said that in considering the question of drawing a line he had looked at the list of banks in the area. If one of the very small banks had been involved, he might have felt that its prospects could not be too good and his conclusion might have been different. However, the Corunna bank had $7-3/4 million of deposits and appeared to be in a position to take care of itself.

Chairman Martin commented that he would be inclined to agree with the State authorities and the Division of Examinations so far as the facts of this specific case were concerned. He was not sure whether it was the Board's responsibility to draw a dividing line. However, if a line was to be drawn, this might be as good a place as any, and on that basis he would be inclined toward disapproval.

During additional discussion, Governor Mills inquired of Mr. Hexter whether the theory of drawing a line and setting a stopping point against further expansion did not involve so vague a concept as to create difficulty in the event of judicial review. Mr. Hexter replied in terms that in all cases the Board must exercise a judgment. The Board, he noted, was regarded by the Congress as expert in this particular field. In his opinion, a Board decision to deny a merger would not be upset, even though the basis of the decision was that the further growth of the applicant bank would not be in the public interest, if there was a virtual absence of affirmative factors favoring the proposed merger.

With regard to the question of the public interest, Governor Mills inquired whether a proposed merger could not be regarded as in the public interest if the factors appeared neutral; in other words, where, as it appeared to him in this particular case, a proposed merger would not be contrary to the public interest. In reply, Mr. Hexter raised the question whether it was realistic to assume that in any case the scales would be

precisely balanced. He expressed doubt whether an instance would arise where a Board judgment would be reversed by a reviewing court on the ground that the pros and cons of the case appeared to be exactly in balance.

It being indicated, then, that the members of the Board, except Governor Mills, were inclined to disapprove the application, it was understood that the Federal Reserve Bank of Chicago would be asked whether it wished to make any further comments or supply any additional information.

Application of United California Bank (Item No. 6). Copies of memoranda dated June 6 and June 8, 1961, from the Division of Examinations had been distributed with respect to an application by United California Bank, Los Angeles, California, for permission to merge with Bank of Encino, Los Angeles, California, and to operate branches at the present offices of the latter. Both the Division of Examinations and the Federal Reserve Bank of San Francisco recommended approval. The reports of the other Federal bank supervisory agencies on the competitive factors involved in the proposed merger were favorable, but the Department of Justice reported unfavorably.

The June 6 memorandum of the Division of Examinations was concerned specifically with the application by United California Bank to acquire the Bank of Encino. The June 8 memorandum noted the pendency of two additional mergers planned by United California Bank in the Los Angeles area, along with a further proposed merger reported recently in the press. It was suggested,

however, that there did not appear to be any reason to defer action on the United California-Bank of Encino merger application, since the other proposed mergers were with banks located outside the area served by Bank of Encino.

As stated in the June 6 memorandum of the Division, its favorable recommendation on the application by United California Bank to merge with Bank of Encino was based upon several considerations. First, in view of the densely populated service areas involved and the substantial number of competing banking offices there located, the elimination of present and potential competition between the two banks would not represent a tendency toward monopoly by the resulting bank. Second, there would be no reduction in the number of banking offices available to the public. Third, while an independent bank would be eliminated, Bank of Encino through its reluctance to provide additional capital and its failure to establish additional offices was not fulfilling its responsibilities or adequately serving the needs of the area. The resulting bank would provide the community and present and potential customers of Bank of Encino with a stronger banking institution offering a wider range of banking services, more capital, and larger resources. Fourth, the proposed merger would intensify competition among the large banks in the areas now served by Bank of Encino, without apparent adverse effect upon the present banking situation.

In the course of his comments on the matter, Mr. Solomon observed that the applicant bank was the third largest in the Los Angeles area and

the fourth largest in the State of California. At present there were twelve banks operating a total of 63 offices in the San Fernando Valley, where Bank of Encino was located (about 18 miles north of the downtown Los Angeles business district). Thus, there was active competition, and although the Department of Justice had expressed the view that the effect would be adverse, it was difficult to see how there would be much detrimental effect on area competition as a result of the merger. Furthermore, certain important banking factors were not taken into account by the Justice Department, since it was rendering a report solely on the competitive factors involved. Among other things, Bank of Encino had shown a reluctance to provide additional capital. It had failed to establish the Canoga Park branch for which it made application, apparently because it was unwilling to supply the required additional capital, and thus it was not keeping pace with the growth of other banks in the area or with the growth of the community. On the other hand, United California Bank would make additional services available to the present and potential customers of Bank of Encino.

Governor Mills stated that he would accept the favorable recommendation of the Division of Examinations in this case. As he saw it, the competitive situation was quite similar to that presented in the Citizens Commercial-Old Corunna application, just considered by the Board, for here again there was the question of drawing a line at some point. The applicant bank, he noted, had a substantial number of branch applications outstanding, along with three

additional merger proposals. Accordingly, although he was willing to approve the present application, he had grave reservations about further expansion by the bank. He hoped it might be possible for the three Federal banking agencies to reach some understanding that would informally freeze the positions of the large California banks for a waiting period to see what might develop.

Governor Robertson stated that he would deny the application. He attached much weight to the fact that the concentration of banking resources in the hands of a few large institutions was steadily increasing in the area concerned and in the State of California. Future plans of these large banks were known; they had been publicly announced in terms of prospective mergers and additional branches. Also, he felt it was a mistake to put too much emphasis on the capital situation of the Bank of Encino. As of today, this $17 million bank was not inadequately capitalized. While the staff memorandum had directed some criticism toward the bank because it was unwilling to provide additional capital in order to expand its branch operations, he did not feel that the Board could take a position on the current proposal on the basis that the bank was unwilling to expand branch-wise. It might be satisfied to operate in its present manner, and some people prefer to deal with smaller banks. Further, the management of the bank was good. To summarize, there was no indication that this bank was not meeting the needs of the public, there was no indication of lack of good management, and there was no evidence that capital or earnings were

inadequate. In the circumstances, it appeared to him that this was merely a case of a large bank assuming the initiative in acquiring an independent bank, in line with the general trend in California. United California Bank, he noted, was offering a premium equal to about 4 per cent of the total deposits of Bank of Encino. He could not find any favorable banking factors to offset the factor of increased concentration, and he did not see how the prevailing trend toward increased concentration could be stopped unless a line was drawn at some point. He agreed with Governor Mills that it would be desirable if all of the bank supervisory agencies could reach an understanding to wait for a while in order to appraise developments in California.

Governor Shepardson commented that he could not see at the present time any tangible move in the direction of unified action to stop the increasing degree of concentration of banking resources in California in the hands of a few large banks. As to the United California Bank, he noted that it had evolved from an effort, which he had supported, to build stronger competition for Bank of America National Trust and Savings Association, and approval of the present application would seem to be in line with that effort. On the one hand, he was concerned by the question of how to bring a stop to the increasing concentration of banking resources in the State. On the other hand, there was the question of equalizing the competition among the existing large banks. All told, he had found the current

application difficult to resolve. If he could see some prospect of a moratorium on further expansion of the large banks through branches and mergers, he would be inclined to favor denial of the application. However, he did not see such a moratorium in prospect at the moment, and therefore he would resolve his doubt on the side of approval.

Chairman Martin indicated that he also would favor approval. He did not see, in the present circumstances, how the Board could do anything more than conduct a harassing operation.

Thereupon, the application of United California Bank for permission to merge with Bank of Encino and to operate branches at the present offices of the latter was approved, Governor Robertson dissenting. A copy of the letter sent to United California Bank informing it of the Board's action is attached as Item No. 6.

The meeting then adjourned.

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

Memoranda from the Division of Personnel Administration recommending the appointment of the following persons as Clerk-Stenographers in that Division, with basic annual salary at the rate indicated, effective the dates of entrance upon duty:

Karen Marie Ditta	$3,970
Mary LaGrand Vance	3,970
Carol Ann Slocombe	4,040
Carol Judith Sullivan	4,040

Letter to the Federal Reserve Bank of Philadelphia confirming arrangements with the Bank to make the services of James P. Giacobello, Examiner for the Bank, available to the Division of Examinations for a period of approximately three months beginning June 26, 1961, with the understanding that during his assignment in Washington, Mr. Giacobello would be designated as a Federal Reserve Examiner and that the Reserve Bank would absorb his salary and travel expenses.

Memorandum from the Division of Personnel Administration recommending that arrangements be made with Dr. Calvin D. Linton to conduct a 20-hour course in effective writing as an activity of the Employee Training and Development Program beginning September 26, 1961, with compensation in the amount of $500 to be paid at the completion of the course.

Secretary

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

Item No. 1
6/16/61

June 16, 1961

Board of Directors,
The Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors has approved an extension until August 9, 1961, of the time within which The Cleveland Trust Company may establish a branch at 14481 Cedar Road. The establishment of this branch was authorized in a letter dated July 8, 1960, to be located at 14539 Cedar Road. However, the correct address is noted to be 14481 Cedar Road.

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
6/16/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1961.

Dear Sir:

Enclosed is a copy of a letter from the Department of Justice, dated June 6, 1961, together with the list of serial numbers of $50 and $100 Federal Reserve notes referred to in the letter.

The request of the Department of Justice relates to the same case in connection with which the Internal Revenue Service recently requested your Bank to furnish the serial numbers of all $50 and $100 notes placed in circulation during the period 1940-1960.

The foregoing information was requested by the Department of Justice on an "expedite" basis to be used in the Department's presentation of this matter before a Federal Grand Jury whose meeting was then imminent. At that time, the Department's representatives did not have sufficient time available to appraise fully the extent of their need in terms of trial of the criminal matter. In the course of its preparation for trial, however, the Department has determined that it will be essential that it be furnished the date of issuance of the particular notes.

The letter from the Department of Justice requests the month and year in which the Federal Reserve Agent sent to his member banks the particular Federal Reserve notes appearing on the enclosed list. Representatives of the Department of Justice and Internal Revenue understand that it is impossible to supply the dates on which the notes were paid into circulation, but that the date the notes were issued to the Reserve Bank can be supplied unless the necessary records have been destroyed. Accordingly, it will be appreciated if a tabulation is sent to the Board showing for each note in the enclosed list the month and year, subsequent to January 1, 1940, but prior to December 31, 1960, that the note was issued to the Federal Reserve Bank by the Federal Reserve Agent. When a note of the particular number could have been within the period specified either a 1934 or 1950 Series note, both possible dates of issue should be provided, and, for Banks with branches, the tabulation should show at which office the note was issued. Separate tabulations for head office and branches may be provided if that would be more practicable than a single list.

Please return the hand written list enclosed. The photographic copy may be retained for your files.

As requested in the third paragraph of the Department's letter, the tabulations submitted should be accompanied by a certification, bearing the corporate seal, by the Federal Reserve Agent, Assistant Federal Reserve Agent, or Alternate Assistant Federal Reserve Agent as to the custody and authenticity of the data from which the tabulations have been compiled.

It will be appreciated if the information requested is submitted by the end of this month.

A copy of this letter, without the list of notes, is being sent to the President of the Bank.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures.

TO EACH FEDERAL RESERVE AGENT WITH COPY TO THE
PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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

Item No. 3
6/16/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1961

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

Sir:

It is respectfully requested that you place an order with the Bureau of Engraving and Printing for printing 525,632,000 Federal Reserve notes (single units) of the 1950 Series during the fiscal year ending June 30, 1962, in the amounts and denominations shown below for the various Federal Reserve Banks:

	Denomination	Number of notes	Dollar Amount
Boston	$5	8,280,000	$41,400,000
	10	20,520,000	205,200,000
	20	3,600,000	72,000,000
	50	144,000	7,200,000
	100	432,000	43,200,000
New York	5	25,840,000	129,200,000
	10	56,440,000	564,400,000
	20	14,400,000	288,000,000
	50	1,296,000	64,800,000
	100	288,000	28,800,000
Philadelphia	5	15,480,000	77,400,000
	10	15,120,000	151,200,000
	20	5,040,000	100,800,000
	50	864,000	43,200,000
	100	288,000	28,800,000
Cleveland	5	14,040,000	70,200,000
	10	24,840,000	248,400,000
	20	16,560,000	331,200,000
	50	720,000	36,000,000
	100	288,000	28,800,000

	Denomination	Number of notes	Dollar Amount
Richmond	$5	12,600,000	$63,000,000
	10	20,800,000	208,000,000
	20	16,200,000	324,000,000
	50	576,000	28,800,000
	100	432,000	43,200,000
Atlanta	5	24,120,000	120,600,000
	10	19,440,000	194,400,000
	20	8,280,000	165,600,000
	100	576,000	57,600,000
Chicago	5	26,280,000	131,400,000
	10	29,800,000	298,000,000
	20	15,120,000	302,400,000
	50	864,000	43,200,000
	100	864,000	86,400,000
St. Louis	5	7,920,000	39,600,000
	10	12,240,000	122,400,000
	20	4,320,000	86,400,000
	50	288,000	14,400,000
	100	288,000	28,800,000
Minneapolis	5	5,760,000	28,800,000
	10	6,120,000	61,200,000
	20	5,400,000	108,000,000
	50	144,000	7,200,000
	100	144,000	14,400,000
Kansas City	5	10,800,000	54,000,000
	10	10,720,000	107,200,000
	20	8,640,000	172,800,000
	50	144,000	7,200,000
	100	144,000	14,400,000
Dallas	5	1,800,000	9,000,000
	10	14,400,000	144,000,000
	20	5,760,000	115,200,000
	50	144,000	7,200,000

	Denomination	Number of notes	Dollar Amount
San Francisco	$10	12,240,000	122,400,000
	20	16,200,000	324,000,000
	50	432,000	21,600,000
	100	1,152,000	115,200,000
Totals	$5	152,920,000	764,600,000
	10	242,680,000	2,426,800,000
	20	119,520,000	2,390,400,000
	50	5,616,000	280,800,000
	100	4,896,000	489,600,000
		525,632,000	$6,352,200,000

Respectfully,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
6/16/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1961

Mr. Martin D. Ginsburg,
Weil, Gotshal & Manges,
60 East 42nd Street,
New York 17, New York.

Dear Mr. Ginsburg:

This refers to your letter of May 24, 1961, requesting a determination as to whether Regulations T or U would apply to certain extensions of credit by Secured Financial Corporation ("Secured"), a subsidiary of General Economics Corporation ("General"), which has filed a registration statement with the Securities and Exchange Commission, and to subsequent letters and telephone conversations which you have had with members of the Board's staff with a view to taking action which would expedite the effective date of registration.

Briefly, your client, General, has three subsidiaries. The first of these, First Continental Planning, Inc. ("First"), is a broker-dealer "active in the over-the-counter market and in sales of mutual funds securities". The second, Financial Protection Corporation ("Financial"), is a general life insurance agent, and the third, Secured, is in the business of making loans, against the pledge of securities such as those sold by First, for the purpose of financing premium payments on life insurance policies sold by Financial.

It is understood that the Commission has been studying the possible connection between the loan program of Secured and the sale of securities by First, and has also expressed an interest in a study which the Board's staff has been conducting in this general area with a view to determining the applicability of certain provisions of the Board's Regulations T and U to similar transactions.

In order to expedite the effective date of the registration statement, you have suggested that General make an undertaking that Secured will not accept the pledge of any securities which have been sold by First (or any other affiliate of Secured) within the preceding three months, and that no suggestion will be made or arrangement entered into, at the time when any securities are sold by any such affiliate, as to the pledge of the securities, then or later, to secure loans for the purpose of paying life insurance premiums.

The Board has as yet taken no position on this subject. However, it is clear that in any event, Regulations T and U would not apply to loans for the purpose of paying life insurance premiums unless there were a sufficiently close connection between the loans and the purchase of securities. The Board believes that under the conditions you propose, there would not be such a close connection, and accordingly, loans by Secured, for the purpose mentioned, would not be subject to the regulation.

This opinion is based upon the facts set forth in your recent letters, including that of June 15, 1961, and any variation from those facts could of course alter the Board's conclusion. It is also understood that you have not withdrawn your request for the Board's opinion on the question originally presented, as to the impact of Regulations T and U on the proposed activities of the three subsidiaries, and that if the Board should conclude that loans by Secured for the purpose of paying premiums on life insurance sold by Financial, with collateral consisting of securities sold by First, would not be subject to the regulations, your client's subsidiaries would resume and expand the activities described in the request.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
6/16/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 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 June 9, 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 June 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.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
6/16/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1961

Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all the factors set forth in section 18(c) of the Federal Deposit Insurance Act, and finding the transaction to be in the public interest, hereby consents to the merger of Bank of Encino, Los Angeles, California, with and into United California Bank, under the charter and title of the latter bank. The Board of Governors also approves the operation of branches by the resulting bank at the following locations, all within the City of Los Angeles:

17031 Ventura Boulevard, Encino;
14708 Ventura Boulevard, Sherman Oaks;
17815 Chatsworth Street, Granada Hills; and
In the vicinity of the intersection of Roscoe Boulevard and De Soto Avenue, Canoga Park (approved but not yet established).

This approval is given provided (1) the proposed merger is effected within six months from the date of this letter and substantially in accordance with the Agreement of Merger, dated March 21, 1961, and (2) shares of stock acquired from dissenting shareholders are disposed of within six months from the date of acquisition.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.