

Minutes for June 19, 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

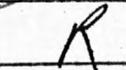
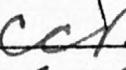
Gov. Mills

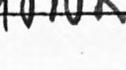
Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King



Minutes of the Board of Governors of the Federal Reserve System on
Monday, June 19, 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. Landry, Assistant to the Secretary
Mr. Petersen, Special Assistant, Office of
the Secretary

Messrs. Noyes, Holland, Robinson, Williams,
Eckert, Sigel, Solomon, Kalachek, Manookian,
and Trueblood, and Miss Dingle of the Division
of Research and Statistics

Messrs. Furth, Hersey, Katz, Irvine, Wood, Emery,
Gemmill, and Maroni of the Division of
International Finance

Economic review. The staffs of the Divisions of International
Finance and Research and Statistics presented a review of foreign and
domestic economic and financial developments, at the conclusion of which
all members of the staff except Messrs. Sherman, Kenyon, Molony, Noyes,
Landry, and Eckert withdrew 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. Hooff, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Troup, Supervisory Review Examiner, Division
of Examinations

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

	<u>Item No.</u>
Letter to Wells Fargo Bank American Trust Company, San Francisco, California, approving an extension of time to establish a branch in the Roseville Square Shopping Center, Roseville.	1
Letter to Wells Fargo Bank American Trust Company, San Francisco, California, approving an extension of time to establish a branch in the vicinity of the Civic Center on North First Street, San Jose.	2

Governor Shepardson observed that there may have been involved in both of these applications the factor of pre-emption of territory, and Mr. Solomon commented that the Division of Examinations was reviewing branch applications carefully with this point in mind.

Limited voting permit for Western Bancorporation (Item No. 3).

Under date of June 9, 1961, copies of a memorandum from the Division of Examinations had been distributed regarding an application by Western Bancorporation (formerly Firstamerica Corporation), Los Angeles, California, for a limited permit to vote its stock of Southern Arizona Bank and Trust Company, Tucson, Arizona, at the special meeting of shareholders to be held on June 22, 1961, or any adjournments thereof, for purposes specified in the memorandum. The recommendation of the Division of Examinations was that the limited voting permit be issued.

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Reference also was made in the memorandum to the fact that First-america had filed an application for a general voting permit covering its stock of Southern Arizona Bank and Trust Company with the San Francisco Reserve Bank in July 1958. (Prior to that time an application also had been filed by Firstamerica's predecessor, Transamerica Corporation.) However, the application was held by the Bank, pursuant to a Board suggestion, in view of the then pending investigation of the Clayton Act aspects of the acquisition by Transamerica of control of Southern. At its meeting on April 13, 1960, when the Board decided that there was no violation of the Clayton Act involved in the acquisition referred to, it was decided not to request the Reserve Bank to send the application to the Board's offices because of pending legislation relating to bank mergers. At its meeting on January 9, 1961, when a limited permit was again granted, the Board decided to defer any request to the San Francisco Bank to transmit the general voting permit application pending a further recommendation on that point by the Division of Examinations. It was now the suggestion of the Division, as expressed in its memorandum, that the Board might wish to request the Reserve Bank to forward the application, with supplementary information relating to Western Bancorporation's financial condition and debt status.

In the course of a discussion as to the disposition of the general voting permit application being held by the San Francisco Reserve Bank, it

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was mentioned that the Justice Department, which has concurrent jurisdiction with the Board under the Clayton Act, presumably was still considering the possibility of a violation of the Act with respect to acquisition of Southern Arizona Bank and Trust Company by the predecessor to Western Bancorporation. However, it was not apparent that at this stage the Justice Department's position would be jeopardized by the granting of the general voting permit application. At the time the application originally was filed, the study of banking in Arizona was in process and there was some apprehension that the applicant bank holding company might vote its shares in favor of merger of Southern Arizona with another bank controlled by the holding company. Under present law, however, any merger would have to be approved by a Federal bank supervisory agency, and thus both the Board and the Department of Justice would be put on notice.

Thereupon, the application by Western Bancorporation for a limited voting permit was approved unanimously, with the understanding that the Federal Reserve Bank of San Francisco would be requested to forward the application for a general voting permit covering Southern Arizona Bank and Trust Company after it had been supplemented to include current information relating to the financial condition and debt status of Western Bancorporation. A copy of the telegram authorizing the Federal Reserve Agent at the Federal Reserve Bank of San Francisco to issue the limited voting permit is attached as Item No. 3.

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Mr. Hostrup withdrew from the meeting at this point.

Application of Citizens Commercial & Savings Bank (Item No. 4). Mr. Solomon reported that pursuant to the understanding at the Board meeting on June 16, 1961, he informed the Federal Reserve Bank of Chicago of the possibility that the Board would disapprove the application by Citizens Commercial & Savings Bank, Flint, Michigan, to consolidate with The Old Corunna State Bank, Corunna, Michigan, and inquired whether the Reserve Bank would like to offer any further comments or information. The Reserve Bank indicated that although it would stand by its favorable recommendation, it could understand the reasons for a difference of opinion on this question. The Bank had nothing new to submit in the way of additional information.

Chairman Martin inquired whether any of the members of the Board had views on the application different from those they had expressed previously, and there was no such indication. Accordingly, the application was denied, Governor Mills dissenting for the reasons he had stated at the June 16 meeting. A copy of the letter transmitting this decision to the applicant bank is attached as Item No. 4.

Messrs. Hooff and Troup then withdrew from the meeting.

Request from Justice Department. Two alternative drafts of reply to the Department of Justice's letter of June 6, 1961, requesting names of banks included in the 1955 business loan survey had been distributed under date of June 16, 1961, pursuant to the understanding at the meeting on that

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date. One draft would furnish, as requested, the names of those 22 banks, out of 43 listed by Justice, that had participated in the survey, but would urge, 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. The other draft would decline to comply with the request.

After noting that there appeared to be a division of opinion among the Board members on the manner of responding to the request of the Justice Department, Chairman Martin suggested that the matter be deferred until such time as additional Board members were present or until there was an opportunity to discuss the matter informally with Assistant Attorney General Loevinger.

No objection being indicated, it was understood that the procedure suggested by the Chairman would be followed.

Messrs. Noyes, Hexter, and Eckert then withdrew from the meeting.

Report of examination of Federal Reserve Bank of Cleveland. The report covering the examination of the Federal Reserve Bank of Cleveland made as of January 27, 1961, had been circulated to the Board along with the usual accompanying memoranda.

In the course of his comments on matters disclosed by the examination, Mr. Smith noted that two minor changes had been made, with the concurrence of the Chief Federal Reserve Examiner, in the text of the report of examination. These changes, which related to coin operations in the Cash Department at

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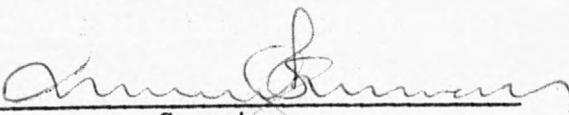
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the head office, were intended to improve the accuracy of the pertinent portions of the report and avoid possible misinterpretations.

In response to a question from Governor Mills on this point, Mr. Solomon and others explained the nature of the procedures in the Coin Division that had occasioned the comments in the examination report, along with the reasons why the changes in the text of the report seemed desirable. In a related discussion, pertaining to the content of reports of examination in general, Messrs. Solomon and Smith assured the Board that the reports were intended to be inclusive and to set forth all matters deemed to warrant comment. The effort being made was to phrase the comments in the reports with such clarity as to avoid the possibility of conveying erroneous impressions.

At the conclusion of Mr. Smith's comments on the examination of the Cleveland Bank, it was agreed that there were no matters appearing to require action on the part of the Board.

The meeting then adjourned.


Secretary

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

Item No. 1
6/19/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 19, 1961



Board of Directors,
Wells Fargo Bank American
Trust Company,
San Francisco 20, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System extends until January 5, 1962, the time within which Wells Fargo Bank American Trust Company may establish a branch in the Roseville Square Shopping Center, Roseville, Placer County, California, under the authorization contained in the Board's letter of October 6, 1960.

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
6/19/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 19, 1961

Board of Directors,
Wells Fargo Bank American Trust Company,
San Francisco 20, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System extends until January 8, 1962, the time within which Wells Fargo Bank American Trust Company may establish a branch in the vicinity of the Civic Center on North First Street, San Jose, California, under the authorization contained in the Board's letter of July 8, 1960.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 3
6/19/61T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

June 19, 1961

WHITMAN - SAN FRANCISCO

KECEA

- A. Western Bancorporation, Los Angeles, California
- B. Southern Arizona Bank and Trust Company, Tucson, Arizona
- C. None.
- D. At any time prior to September 1, 1961, at a special meeting of shareholders of such bank, or any adjournments thereof, to
- (1) amend the Articles of Incorporation of the bank to (a) increase the number of directors to not less than fifteen nor more than twenty-five; (b) increase the capital stock of such bank and take all action necessary in connection therewith; (c) increase the highest amount of indebtedness or liability to which the bank shall at any time subject itself over and above the amounts due depositors, from \$1,666,666 to \$2,900,000; and (2) to act thereat upon such other matters of a routine nature as may properly come before such special meeting, provided all actions taken with respect to (1)(b), (1)(c), and (2) are in accordance with plans satisfactory to the Federal Reserve Bank of Dallas STOP Please forward a copy of permit issued by your Bank to the Dallas Reserve Bank.

(Signed) Elizabeth L. Carmichael

CARMICHAEL

Definition of KECEA:

The Board authorizes the issuance of a limited 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", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". 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. 4
6/19/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 21, 1961

Board of Directors,
Citizens Commercial & Savings Bank,
Flint, Michigan.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of Chicago for consent under section 18(c) of the Federal Deposit Insurance Act, to consolidate with Old Corunna State Bank, Corunna, Michigan, and for approval to operate a branch at the present location of Old Corunna State Bank.

The proposed consolidation would increase the already high degree of concentration of banking facilities and resources in the Flint trade area and could materially impair the future competitive capacity of other banks in that area. While it is apparently contemplated that the continuing bank would offer a somewhat broader range of banking service in Corunna, it does not appear that Corunna or the Corunna-Owosso area is now being served inadequately.

Section 18(c) of the Federal Deposit Insurance Act provides that the Board of Governors shall not approve a merger unless, after considering all of the factors stated in the section, the Board finds the transaction to be in the public interest. For the reasons stated above, the Board does not find the proposed merger to be in the public interest, and accordingly, the application is denied.

Very truly yours,

(Signed) Elizabeth L. Carmichael
Elizabeth L. Carmichael,
Assistant Secretary.