

Minutes for July 7, 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

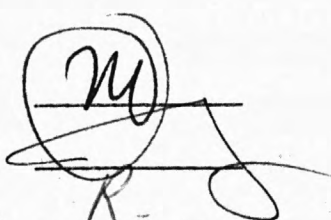
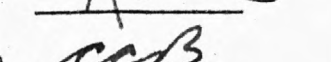
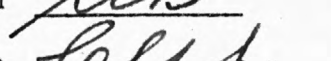

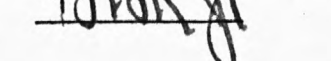
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System on
Friday, July 7, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. 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, Division of Research
and Statistics

Money market review. Mr. Yager reported on money market developments, referring in the course of his remarks to charts distributed prior to the meeting concerning dealer sales of Government securities in particular maturity categories and dealer positions in such securities. Following this report, Mr. Eckert commented on the situation with respect to bank reserves, bank credit, and the money supply.

At the conclusion of these reports, all members of the staff except Messrs. Sherman, Kenyon, Young, and Landry withdrew and the following entered the room:

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Mr. Masters, Associate Director, Division of
Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on July 6, 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.

Item distributed to the Board. The following item, which had been distributed to the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to International Banking Corporation, New York, New York, consenting to a change in the location of its head office from 55 Wall Street to 399 Park Avenue.

Report on competitive factors (Charleston-Myrtle Beach, South Carolina). There had been distributed under date of July 6, 1961, copies of a draft of report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of The First National Bank of Myrtle Beach, Myrtle Beach, South Carolina, with and into The South Carolina National Bank of Charleston, Charleston, South Carolina, which contained the following conclusion:

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There would be no apparent seriously adverse competitive effects as a result of the proposed merger.

Noting that the South Carolina National Bank held almost 25 per cent of total deposits in the State as of the end of 1960 and that by acquiring the bank in Myrtle Beach it would be expanding its branch operations into the northeastern part of the State, Governor Robertson suggested that the report to the Comptroller of the Currency recognize the appearance of a trend toward monopoly. Although he was not suggesting an adverse report to the Comptroller, Governor Robertson said, he did consider it advisable to make some reference to the size of the applicant bank, thus raising the question where a line should be drawn to halt the trend before a monopolistic situation became an accomplished fact.

In the ensuing discussion, it was suggested that an appropriate manner in which to recognize the point raised by Governor Robertson might be simply to call attention in the conclusion to the percentage of total deposits in the State held by the applicant bank. Accordingly, the report was approved in a form containing the following conclusion:

Although there would be no seriously adverse competitive effects as a result of the proposed merger, it should be noted that this bank already holds about 25 per cent of total State deposits.

Application of First National Bank of Thompsonville (Item No. 2).

Consideration had been given at the meeting on July 6, 1961, to an application

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by First National Bank of Thompsonville, Thompsonville, Connecticut, for authority to act as executor and administrator. The recommendation of the Federal Reserve Bank of Boston on the application was favorable, but the Division of Examinations had recommended unfavorably. Accordingly, the Division was requested to contact the Reserve Bank and give the latter an opportunity to make any further comment or provide any additional information.

Mr. Masters, in reporting on his telephone conversation with the Reserve Bank, said the Bank had never regarded the application as a strong one and had attempted to discourage the filing of the application. One of the two other national banks in Connecticut controlled by the Chairman and President of First National Bank of Thompsonville was reported to have incurred a fine recently for violation of the minimum wage laws, thus affording a further indication of the type of management. A reason for the favorable recommendation of the Reserve Bank in this case apparently was that in 1953 the Board granted full fiduciary powers to the First National Bank of Windsor Locks, a national bank controlled by the same party as the applicant bank. The Reserve Bank evidently had thought there might be some question about recommending disapproval of the Thompsonville application for partial trust powers in view of the 1953 grant of full fiduciary powers to the Windsor Locks bank. However, the latter bank, which never exercised the fiduciary powers granted to it,

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appeared at that time to be in good condition and operating under satisfactory management. Comparatively, the situation in the Thompsonville bank appeared less satisfactory.

Thereupon, the application by First National Bank of Thompsonville for authority to act as executor and administrator was disapproved by unanimous vote. A copy of the letter sent to the bank informing it of this action is attached as Item No. 2.

Continental Bank and Trust Company. Mr. O'Connell referred to the issuance on June 28, 1961, of the Board's Order to Show Cause and for Hearing Thereon requiring The Continental Bank and Trust Company, Salt Lake City, Utah, to show cause why the Board should not order forfeiture of its membership in the Federal Reserve System and directing that a hearing be held September 6, 1961, for the purpose of taking evidence on such issues of fact as might be involved in the show cause order. According to information received yesterday, Mr. O'Connell said, Continental had filed a motion in the United States District Court for the District of Columbia to alter or amend judgment, to vacate the judgment and order dismissing the complaint, for leave to file an amended and supplemental complaint, and for oral hearing thereon. Mr. O'Connell noted that according to the procedure followed in matters of this kind the Board would have five days to answer the motion. He also said that in view of the fact that Judge McGuire, who had rendered the decision

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dismissing the bank's original complaint was out of the city the Justice Department might endeavor to have the motion by Continental considered by another District Court Judge. Pending further developments, preparations for the hearing ordered by the Board to be held commencing on September 6, 1961, were continuing.

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

Budget Committee. Following discussion at the meeting on June 9, 1961, regarding the composition of the committee of Board Members that would meet with the respective Reserve Bank Presidents for preliminary discussion of the 1962 budgets and submit recommendations to the Board following the submission and analysis of the budgets, it had been agreed that Governor Balderston would serve as Chairman of the Budget Committee. However, a decision was deferred on the remainder of the committee pending review of vacation schedules and other factors.

After further consideration of the matter, it was agreed that the other members of the Budget Committee would be Governor King and George W. Mitchell (after the latter, whose nomination as a member of the Board of Governors had been announced by the White House, began his service as a member of the Board).

Inter-Agency Bank Examination School. Governor Robertson reported that he had requested the Comptroller of the Currency and the Chairman of

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the Federal Deposit Insurance Corporation each to designate a person who had not heretofore been associated with the Inter-Agency Bank Examination School to review the course and procedures of the School and to make comments or suggestions.

Chairman Martin expressed the view that this was a desirable approach, and general agreement with the Chairman's comment was indicated.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Atlanta (attached Item No. 3) approving the appointment of W. James Montgomery as assistant examiner.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

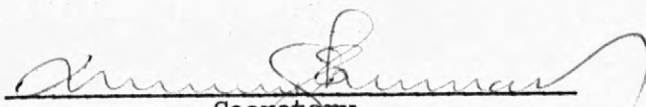
Appointments

Jane B. Orlove as Secretary in the Legal Division on a temporary basis, with basic annual salary at the rate of \$4,345, effective the date of entrance upon duty.

Nancy Smith Martino as Economist in the Division of International Finance on approximately a half-time basis until the end of September 1961, with compensation at the rate of \$3.26 per hour when actually employed.

Salary increase

Elizabeth Ann Ulrey, Economist, Division of Research and Statistics, from \$9,475 to \$10,635 per annum, effective July 9, 1961.


Secretary

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

Item No. 1
7/7/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 10, 1961



International Banking Corporation,
55 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of June 20, 1961, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to International Banking Corporation to change the location of its Head Office from 55 Wall Street, New York, to 399 Park Avenue, New York. The location of the Head Office may not be changed, after removal, without the prior approval of the Board of Governors.

It is noted that The First National City Bank of New York has moved the bulk of its administrative personnel and all of its foreign department operations to 399 Park Avenue and that the principal officers of your Corporation have also moved to that location. It is understood that no changes in the activities of the Corporation or in its arrangements with The First National City Bank for accommodations are contemplated.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the Corporation has moved to the new location.

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
7/7/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 7, 1961



Board of Directors,
First National Bank of Thompsonville,
Thompsonville, Connecticut.

Gentlemen:

The Board of Governors has given consideration to your application for fiduciary powers which was forwarded through the Federal Reserve Bank of Boston.

In passing upon an application for permission to exercise the fiduciary powers authorized by Section 11(k) of the Federal Reserve Act, the Board gives special consideration to a number of factors having a bearing on the proper exercise of the fiduciary authority requested.

In considering the facts and circumstances of your application, it appears to the Board that those pertaining to the experience and qualifications of officers who would administer and supervise proposed trust activities cannot be regarded as wholly satisfactory.

It is the view of the Board, therefore, that the request for authority to exercise fiduciary powers should not be granted at this time.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
7/7/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 10, 1961

CONFIDENTIAL (FR)

Mr. Geo. W. Sheffer, Jr.,
Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of June 27, 1961, the Board approves the appointment of W. James Montgomery as an assistant examiner for the Federal Reserve Bank of Atlanta. Please advise us if the appointment is not made effective August 1, as planned.

It is noted that Mr. Montgomery is indebted to The National Bank of Sarasota, Sarasota, Florida, in the amount of \$420.48. Accordingly, the Board's approval of the appointment of Mr. Montgomery is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.