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Minutes for July 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.

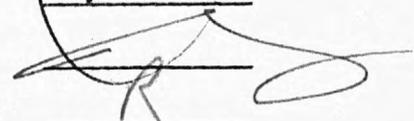
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

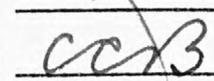
Chm. Martin



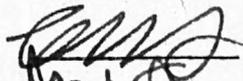
Gov. Mills



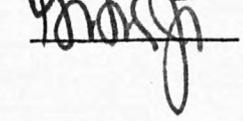
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. King

Minutes of the Board of Governors of the Federal Reserve System on  
 Wednesday, July 19, 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. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Hackley, General Counsel  
 Mr. Solomon, Director, Division of  
 Examinations  
 Mr. Hooff, Assistant General Counsel  
 Mr. Sammons, Adviser, Division of  
 International Finance  
 Mr. Goodman, Assistant Director, Division  
 of Examinations  
 Mr. Leavitt, Assistant Director, Division  
 of Examinations  
 Mrs. Semia, Technical Assistant, Office of  
 the Secretary

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:

Letter to Chase Manhattan Overseas Corporation, New  
 York, New York, noting with approval a change in the  
 location of its head office.

Item No.

1

Letter to the Federal Reserve Bank of New York  
 regarding a communication from the Federal Reserve  
 Relations Committee for Northern New Jersey of the  
 New Jersey Bankers Association relating to periods  
 of grace in connection with payment of interest on  
 savings deposits. (With the understanding that the  
 substance of the Board's letter would be sent to all  
 Federal Reserve Banks for their information.)

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Richmond interposing no objection to an agreement under which microfilm records of the International Development Association would be stored at the Bank.	3
Letter to The Peoples National Bank of Conway, Conway, South Carolina, approving its application for fiduciary powers.	4
Letter to Attala National Bank of Kosciusko, Kosciusko, Mississippi, approving its application for a specific fiduciary power.	5
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Bedford, Virginia.	6
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Vienna, Virginia.	7
Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch in Plainview.	8
Letter to The Colonial Bank and Trust Company, Waterbury, Connecticut, approving the establishment of a branch in the Town of Wolcott.	9
Letter to Bank of Idaho, Boise, Idaho, approving the establishment of a branch on Fairview Avenue near the intersection of Cole Road.	10
Letter to Twin Falls Bank & Trust Company, Twin Falls, Idaho, approving the establishment of a branch in the Lynwood Shopping Center.	11
Letter to the Presidents of all Federal Reserve Banks regarding amendment of the circulars and operating letters of the Banks relating to collection of cash items.	12

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Mr. Goodman then withdrew from the meeting.

Report on competitive factors (Baltimore-Glen Burnie, Maryland).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of County Trust Company of Maryland, Glen Burnie, Maryland, with Baltimore National Bank, Baltimore, Maryland.

The conclusion in the report read as follows:

The two banks do not appear to be competitive to an important degree. In Prince Georges County, there should result some increase in competition for Suburban Trust Company, Hyattsville, Maryland, and the Washington, D. C. banks presently serving the area.

The proposed consolidation would enhance, by a substantial dollar volume and by increased geographic representation, the position of Baltimore National, already the largest bank in the State.

Governor Mills stated that he would approve since the Board's responsibility in the matter was limited to reporting on the competitive factors involved. If the merger itself were before the Board for decision, he would perhaps want to scrutinize the proposal more closely. The resulting bank would have about 16 per cent of the commercial bank deposits in the State, which would not seem unduly large, but on the other hand Baltimore National would appear to dominate certain areas of the State where it would obtain representation if the merger were consummated.

Governor Robertson expressed disagreement with the last paragraph of the Division memorandum submitting the report to the Board, which stated

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that "The net effect of the proposed consolidation should not be adverse to competition." However, since that statement did not appear in the report that would go to the Comptroller of the Currency, he would vote to approve the report. Baltimore National, he noted, competed for various kinds of business throughout the State of Maryland. If there was no significant competition between Baltimore National and County Trust, he felt that it was probably because of an interrelationship existing at the management level; in his opinion there was at least potential competition between the two banks. Moreover, a move by Baltimore National into the areas served by County Trust would be likely to have the effect of causing banks in those areas to seek to merge with other banks in Baltimore. Such a series of mergers could eventually result in a situation similar to those in California and North Carolina, which he felt would be undesirable. Although the merger might increase competition for the existing banks in certain areas, this would be in the nature of competition between a giant and a midget. If the actual merger decision were before the Board, he would want to make a very careful and complete analysis. However, so far as a report on competitive factors was concerned, the wording of the proposed report and conclusion might be sufficient to point up the problems he had mentioned.

In response to an inquiry from Governor Balderston as to the probable effects of the merger on the small bank in Glen Burnie now

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competing with County Trust, response was made that that bank might be able to retain its business about as well if the merger were consummated, particularly since it was already competing with an institution of substantial size. It had been found in a number of cases that small independent banks could operate successfully in competition with branches of large banks, depending on the capacity of their management. Apparently, some segment of bank customers preferred to deal with a smaller independent bank.

After further discussion the report to the Comptroller of the Currency was approved unanimously.

Report on competitive factors (Ebensburg-Cresson, Pennsylvania).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The First National Bank of Cresson, Cresson, Pennsylvania, by The First National Bank of Ebensburg, Ebensburg, Pennsylvania.

After a discussion during which certain changes were suggested in the wording of the conclusion, the report was approved unanimously in a form in which the conclusion read as follows:

The proposed purchase of assets and assumption of liabilities of The First National Bank of Cresson by The First National Bank of Ebensburg would unite two affiliated corporate entities. Following the proposed transaction, the applicant should be able to compete more effectively with the two banks in the area which are presently larger than the purchasing bank; however, the small banks in the area would be subject to increased competition.

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Report on competitive factors (Wilson-Micro, North Carolina).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Citizens Bank, Micro, North Carolina, into Branch Banking and Trust Company, Wilson, North Carolina. The conclusion of the proposed report read as follows:

The proposed merger represents some additional concentration of banking resources in the State within the State's five largest banks. While the competitive position of the continuing bank would be strengthened slightly, the proposed merger of The Citizens Bank, Micro, North Carolina, into Branch Banking and Trust Company, Wilson, North Carolina, would not appear to be adverse to banking competition in the area.

After a brief discussion the report was approved unanimously.

Inquiry from State Department. Mr. Sammons reported that the Division of International Finance had received an informal inquiry from an official of the Department of State as to whether the Board, through the Federal Reserve Bank of New York, would be willing to assist the Department in determining what, if any, bank accounts were held in the United States by the Government of Katanga, a unit within the Republic of the Congo.

During discussion, question was raised whether it would be appropriate for a Federal Reserve Bank to act on behalf of the Department of State in seeking such information from commercial banks in the absence of statutory authorization. It was brought out that at times in the past

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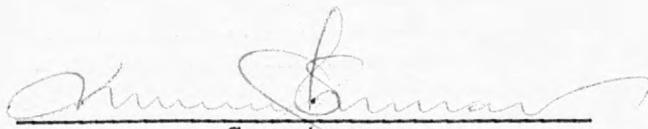
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surveys of American investments abroad and foreign funds held in the United States had been made by the Treasury Department under authority of the Trading with the Enemy Act, but that there had not been such a survey for some time. The view was expressed that it might not be advisable to throw the burden of the request upon the Treasury in replying to the State Department.

Accordingly, after further discussion it was agreed that the staff response to the State Department official should be in terms that it would not appear appropriate for the System to undertake to obtain the desired information.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum dated July 17, 1961, from Mr. Solomon, Director of the Division of Examinations, requesting permission to deliver a lecture on bank capital at the School of Banking at the University of Wisconsin, Madison, Wisconsin, during the August 1961 session, it being understood that the lecture would be delivered while Mr. Solomon was on annual leave and that he would be permitted to accept compensation for the lecture.

  
Secretary

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

Item No. 1  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961

Chase Manhattan Overseas Corporation,  
1 Chase Manhattan Plaza,  
New York 5, New York.

Gentlemen:

This will acknowledge your letter of July 7, 1961, transmitted through the Federal Reserve Bank of New York, advising that, in connection with the moving of the Head Office of The Chase Manhattan Bank to 1 Chase Manhattan Plaza, New York, the Head Office of Chase Manhattan Overseas Corporation was also moved from 18 Pine Street to 1 Chase Manhattan Plaza, New York 5, New York.

The Board has noted with approval this change in location of the Head Office of your Corporation. The location of the Head Office may not be changed from its present address without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 2  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Mr. Howard D. Crosse, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Crosse:

This refers to your letter of June 13, 1961, with respect to the request of the Federal Reserve Relations Committee for Northern New Jersey of the New Jersey Bankers Association, that the Board reconsider its previous decisions and permit an option on the part of member banks to allow days of grace for the payment of interest on savings deposits either (a) on a monthly basis, as provided in the October 1, 1959, amendment to Regulation Q; or (b) on the same basis as formerly authorized under the July 1, 1952, amendment to the Regulation.

The effect of this proposal would be to permit member banks that compute interest on a quarterly or semiannual basis, rather than on a monthly basis, to meet the competition of savings banks which allow grace periods of 10 business days during the first month of a quarterly or semiannual interest period. For example, it would permit payment of interest for a full month on deposits made through the 17th day of July of this year.

The original purpose of such so-called "grace periods" was to allow a customer, who cannot make a deposit on the exact day of the week in which the month commences, a reasonable time within which he may make the deposit and receive interest for the entire month. With this purpose in mind, the present provision seems entirely adequate, as it allows 10 calendar days which will always provide at least 5 business days within which the deposit may be made.

Actually, days of grace for the receipt of savings deposits permit the bank to pay interest on money not on deposit or, in effect, permit interest to exceed the maximum rate permitted by Regulation Q for the time the money is on deposit. Such days are not allowed for

Mr. Howard D. Crosse

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the purpose of enabling banks to compete with other types of savings institutions and there would appear to be no justification for permitting days of grace to exceed a reasonable time consistent with their purpose.

The Board has again carefully considered this matter in the light of your letter, and is not unmindful of the competition commercial banks are subjected to by other institutions. However, the Board continues to feel that an amendment of the kind suggested would not be desirable.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM Item No. 3  
WASHINGTON 25, D. C. 7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Mr. Edward A. Wayne, President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Wayne:

This refers to your letter of July 12 concerning a request by the International Development Association for an agreement under which microfilm records of the Association would be stored at the Federal Reserve Bank of Richmond.

Since there is statutory authority for the proposed agreement and since it is acceptable to your Bank, the Board sees no reason to object to it.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary

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

Item No. 4  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Board of Directors,  
The Peoples National Bank of Conway,  
Conway, South Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Peoples National Bank of Conway 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 South Carolina. 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) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 5  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Board of Directors,  
Attala National Bank of Kosciusko,  
Kosciusko, Mississippi.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for a specific fiduciary power and grants Attala National Bank of Kosciusko authority to act, when not in contravention of State or local law, as registrar and trustee of bonds under a seventy thousand dollar (\$70,000) bond issue of the Parkway Baptist Church of Kosciusko, Mississippi. 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 certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Enclosure

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

Item No. 6  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961

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

Attention: Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated March 22, 1961, enclosing copies of an application to organize a national bank at Bedford, Virginia, 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 Richmond indicates generally favorable findings with respect to each of the factors usually considered in applications of this nature. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM    Item No. 7  
WASHINGTON 25, D. C.        7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961

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

Attention: Mr. W. M. Taylor,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated February 16, 1961, enclosing copies of an application to organize a national bank at Vienna, Virginia, 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 Richmond indicates generally favorable findings with respect to each of the factors usually considered in applications of this nature. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 8  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Board of Directors,  
The Chase Manhattan Bank,  
New York, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 365 South Oyster Bay Road, Plainview, Nassau County, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 9  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961

Board of Directors,  
The Colonial Bank and  
Trust Company,  
Waterbury, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Wolcott Road, Mad River Road, and Center Street, Town of Wolcott, New Haven County, Connecticut, by The Colonial Bank and Trust Company, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



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

Item No. 10  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Board of Directors,  
Bank of Idaho,  
Boise, Idaho.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of an in-town branch at approximately 7500 Fairview Avenue near the intersection of Cole Road, by Bank of Idaho, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 11  
7/19/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961



Board of Directors,  
Twin Falls Bank & Trust Company,  
Twin Falls, Idaho.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of an in-town branch in the Lynwood Shopping Center at approximately 576 Blue Lakes Boulevard, by Twin Falls Bank & Trust Company, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 12  
7/19/61

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WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 19, 1961.



Dear Sir:

The Board of Governors concurs in the action taken by the Conference of Presidents at its meeting on June 19, 1961, approving recommendations contained in the Joint Report of the Subcommittee on Collections and the Subcommittee of Counsel on Collections, dated June 2, 1961, that the circulars and operating letters of Federal Reserve Banks relating to collection of cash items be amended as follows:

1. Insertion under the heading "Items which will be accepted as cash items" of a new uniform paragraph reading substantially as follows:

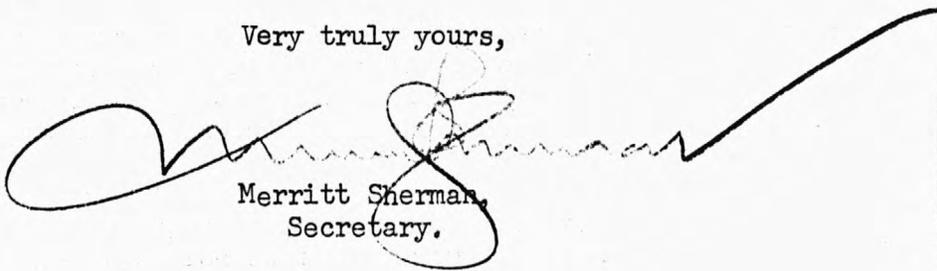
We may receive cash items pre-encoded as to transit number-routing symbol and as to amount in magnetic ink in E-13B type and we may so encode cash items received by us.

2. Revision of the uniform paragraph entitled "Endorsements" to read as follows:

All cash items sent to us, or to another Federal Reserve Bank direct for our account, should be endorsed without restriction to the order of the Federal Reserve Bank to which sent, or endorsed to the order of any bank, banker, or trust company, or endorsed with equivalent words or abbreviations thereof. Cash items will be accepted by us, and by other Federal Reserve Banks, only upon the understanding and condition that all prior endorsements are guaranteed by the sending bank. There should be incorporated in the endorsement of the sending bank the phrase, "All prior endorsements guaranteed" which

may be abbreviated as, for example, "P.E.G." in conformity with the ABA uniform transit instructions, or "Pr. Ends. Gtd." The act of sending or delivering a cash item to us or to another Federal Reserve Bank will, however, be deemed and understood to constitute a guaranty of all prior endorsements on such item, whether or not an express guaranty is incorporated in the sending bank's endorsement. The endorsement of the sending bank should be dated and should show the American Bankers Association transit number of the sending bank in prominent type on both sides.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'Merritt Sherman', is written over the typed name and title.

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS