

The minutes of the meeting of the Board of Governors of the Federal Reserve System on July 21, 1961, which you have previously initialed, have been supplemented at the request of Governor Balderston to include as an attachment (Item No. 6) a statement pertaining to a possible alternative plan for the classification of reserve cities that was discussed by him at the meeting.

Governor Balderston

CCB

Chairman Martin

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Governor Mills

[Signature]

Governor Shepardson

[Signature]

Governor King

[Signature]

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Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 21, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice 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. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Farrell, Director, Division of Bank
Operations
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Landry, Assistant to the Secretary
Mr. Collier, Chief, Current Series Section,
Division of Bank Operations
Mr. Yager, Economist, Division of Research
and Statistics

Money market review. Mr. Yager reported on recent developments in the money market, including reference to preliminary reports on the results of the Treasury's current refinancing operation, following which Mr. Thomas commented on the situation with respect to bank credit and reserves.

At the conclusion of these reports Mr. Yager withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations

1/ Withdrew from meeting at point indicated in minutes.

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Mr. Hostrup, Assistant Director, Division
of Examinations
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, Chicago, and San Francisco on July 20, 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:

	<u>Item No.</u>
Letter to The First National City Bank of New York, New York, New York, approving an extension of time to establish a branch in the Castelo District of Rio de Janeiro, Brazil.	1
Letter to Golf Mill State Bank, Niles, Illinois, approving its application for membership in the Federal Reserve System.	2
Letter to United California Bank, Los Angeles, California, approving an extension of time to establish a branch in Burbank.	3

With respect to Item No. 3, Governor Shepardson raised the question whether there appeared to have been involved in the original application a possible pre-emption of the site for the proposed branch. In reply it was

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indicated that when the Board granted permission on August 8, 1960, for establishment of the branch, the shopping center was reportedly already under construction. However, design problems of an adjoining tenant had caused some delay in the completion of the working drawings for the building to house the branch. A lease agreement had now been executed for permanent quarters. There followed further discussion of the question of the amount of time that should appropriately be granted to banks desiring to establish branches in contemplated or uncompleted projects such as shopping centers, and Governor Shepardson expressed the view, as he had on previous occasions, that an unduly liberal approach could tend to militate against the building up of competition. Other members of the Board indicated that they concurred in this view and felt that situations of the kind referred to should be reviewed carefully.

Standards for classification of reserve cities. There had been included on the agenda for today's meeting a discussion of proposed standards for classification of reserve cities, as set forth in the tentative amendments to Regulation D, Reserves of Member Banks, which were published for comment in the Federal Register on March 7, 1961. However, Chairman Martin noted that developments had occurred which made it seem desirable to defer further consideration of the problem in order that he might discuss aspects of the matter with members of the Congress who had expressed an interest. It was agreed that in the circumstances consideration of the subject should be deferred until a later date, after Chairman Martin had had an opportunity to complete the conversations he had mentioned.

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In this connection, Governor Balderston commented on a possible alternative plan, as outlined in a memorandum that he had distributed to the other members of the Board prior to this meeting. In substance, the alternative proposal would change certain percentages in the previously published formula in such manner that a number of cities would be dropped from the current list of reserve cities. In this way it was hoped, as in the case of the published formula, to move in the direction of equity as among comparable situations. Governor Balderston explained that in developing the alternative plan he had in mind, among other things, a situation where reserves were needed for seasonal purposes and it was desired to avoid undue pressure on short-term rates. On the other hand, certain questions, such as retention of reserve city status in cases where that was desired by member banks concerned, might be presented. 1/

After discussion, it was understood that the alternative proposal of Governor Balderston would be borne in mind for consideration at such time as further discussion of the standards for classification of cities for reserve purposes was deemed appropriate.

Messrs. Dembitz, Associate Adviser, Division of Research and Statistics, Thompson, Supervisory Review Examiner, Division of Examinations, and Guth, Review Examiner, Division of Examinations, entered the room during discussion of the foregoing matter, and Messrs. Shay and Goodman withdrew. Messrs. Young, Molony, Koch, Dembitz, Conkling, and Collier withdrew from the meeting at the conclusion of the discussion and Messrs. Young, Assistant Counsel, and Smith, Legal Assistant, entered the room.

1/ A copy of the document distributed by Governor Balderston with regard to the possible alternative plan is attached as Item No. 6.

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Holding of public office by employee of Buffalo Branch. Copies had been distributed of a draft letter to Mr. Robert P. Martin, an attorney of Buffalo, New York, that would reply to his letter of July 13, 1961, regarding an individual, apparently an employee of the Buffalo Branch of the Federal Reserve Bank of New York, who desired to stand for election as Justice of the Peace in one of the towns near Buffalo. The proposed reply would refer to the Board's 1915 resolution and suggest that since the established procedure in any case which might involve the resolution was for the Reserve Bank concerned to review the entire situation, and if necessary refer the question to the Board of Governors for decision, the employee in question should present the facts of the matter to the Buffalo Branch.

After discussion, it was suggested that in this instance the most effective procedure might be to make an interim reply to the attorney and at the same time request the Federal Reserve Bank of New York to provide the Board with relevant information regarding the inquiry, along with its recommendation. Agreement being expressed, it was understood that this procedure would be followed.

Chairman Martin withdrew from the meeting during the discussion of the foregoing item, and Mr. Young withdrew at this point.

Application by The Atlantic National Bank of Jacksonville and Atlantic Trust Company. There had been distributed copies of memoranda from the Division of Examinations dated May 26, 1961, and the Legal

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Division dated July 18, 1961, regarding an application under the Bank Holding Company Act by The Atlantic National Bank of Jacksonville and Atlantic Trust Company, both of Jacksonville, Florida, to acquire shares of a proposed new bank, the Lake Shore Atlantic Bank, Jacksonville, Florida. The Florida Commissioner of Banking, the Comptroller of the Currency, and the Federal Reserve Bank of Atlanta all recommended approval of the application, and the recommendation of the Division of Examinations was also favorable. The opinion of the Legal Division was that in the event of judicial review approval of the application would be viewed as a reasonable exercise of the Board's discretion, whereas denial would possibly be more difficult to support.

In discussion, Governor Mills stated that he concurred with the recommendation of the Division of Examinations. Approval of the application would in a sense permit the applicant holding companies to occupy an area where there was no immediate established need for a new bank. However, the State of Florida does not permit branch banking; if it did, and if the application had been for a branch, it seemed probable that approval would be given. On this basis, and since there appeared to be no question from the standpoint of area competition except for an application filed subsequently to establish a national bank which would be controlled by the Florida National Group, he felt that approval could be justified.

The other members of the Board also indicated that they would favor approval of the application. Accordingly, it was understood that

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drafts of an order and statement approving the application would be prepared for consideration by the Board.

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 Cleveland, a copy of which is attached as Item No. 4, approving the designation of six employees as special assistant examiners.

Letter to the Federal Reserve Bank of Richmond, a copy of which is attached as Item No. 5, approving the designation of Robert C. Duffer as special assistant examiner.

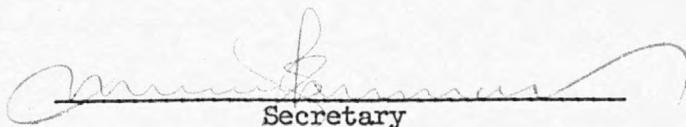
Letter to the Federal Reserve Bank of San Francisco advising that Mr. Thomas, Adviser to the Board, would participate in the Sixth Central Banking Seminar to be held in San Francisco on November 1, 2, and 3, 1961, and that if possible a representative of the Division of International Finance also would participate.

Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following persons on the Board's staff, effective July 23, 1961:

Bernard N. Freedman, Economist, Division of Research and Statistics, from \$9,995 to \$10,635.

Joanne Jessup, from \$4,285 to \$4,460, with a change in title from Clerk-Typist to Statistical Clerk-Typist in the Division of Research and Statistics.

Patricia Leonard, Statistical Clerk, Division of Bank Operations, from \$3,865 to \$4,040.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
7/21/61

WASHINGTON 25. D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1961

The First National City Bank of New York,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In view of the request contained in your letter of July 10, 1961, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends to August 1, 1962, the time within which your Bank may establish a branch in the Castelo District of Rio de Janeiro, Estado da Guanabara, Brazil, as authorized by the Board on July 21, 1960.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the street address of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
7/21/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1961

Board of Directors,
Golf Mill State Bank,
Niles, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Golf Mill State Bank, Niles, Illinois, for stock in the Federal Reserve Bank of Chicago, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

It is noted that under its articles of incorporation the bank may exercise fiduciary powers but that at the present time is not exercising such powers. Should the bank at any future time desire to broaden the scope of its corporate activities or exercise any powers not exercised at the time of admission to membership it will be necessary, under condition of membership numbered 1, to obtain permission of the Board of Governors.

Golf Mill State Bank

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Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

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. 3
7/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 21, 1961

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends until August 8, 1962, the time within which United California Bank, Los Angeles, California, (formerly California Bank), may establish a branch in the vicinity of the intersection of Victory and Chandler Boulevards, Burbank, California, under the authorization contained in the Board's letter of August 8, 1960.

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. 4
7/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1961

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of July 18, 1961, the Board approves the designation of the following employees as Special Assistant Examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in the examination of banks, except those listed opposite their names.

Erroll L. Parks	- The First National Bank of Cincinnati, Cincinnati, Ohio.
Harold Thoma	- The Provident Bank, Cincinnati, Ohio.
Vincent J. Comarata	- The Central Trust Company, Cincinnati, Ohio. The Provident Bank, Cincinnati, Ohio.
Robert R. Eveleth	- The Peoples-Liberty Bank and Trust Company, Covington, Kentucky.
Albert L. Walters	- The American National Bank of Newport, Newport, Kentucky. The Provident Bank, Cincinnati, Ohio.
Fred C. Brewer	- The Provident Bank, Cincinnati, Ohio.

The authorizations heretofore given your Bank to designate these persons as Special Assistant Examiners are hereby cancelled.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
7/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1961

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of July 19, 1961, the Board approves the designation of Robert C. Duffer as a Special Assistant Examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except The Bank of Virginia, Richmond, Virginia.

The authorization heretofore given your Bank to designate Mr. Duffer as a Special Assistant Examiner is hereby cancelled.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 6
7/21/61POSSIBLE METHOD OF ACHIEVING EQUITY IN
RESERVE REQUIREMENTS BY DECLASSIFICATION

Cities with less than 1 per cent of demand deposits
and 1 per cent of interbank demand deposits 1/

	<u>Millions 2/</u>
* Portland, Ore.	\$ 986
* Buffalo	774
* Baltimore	781
Columbus	626
* Salt Lake City	393
* Nashville	435
Miami	422
* San Antonio	379
Tulsa	474
St. Paul	385
* Birmingham	379
Des Moines	282
* El Paso	188
* Little Rock	184
National Stockyards	106
* Helena	<u>48</u>
	\$6,842 3/

* Cities with Federal Reserve Branches

1/ One per cent is about \$1 billion of demand and
\$100 million of interbank demand deposits

2/ In millions as of July 1959

3/ Making no allowance for banks in these cities now
classified as "country" banks, the reserves supplied
by declassification of these cities would be about
\$300 million.

C. Canby Balderston

July 20, 1961