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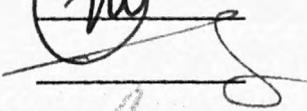
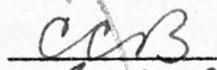
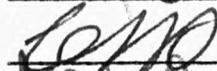
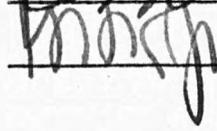
Minutes for August 10, 1961

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	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

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

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Shepardson

Mr. Kenyon, Assistant Secretary  
Miss Carmichael, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Hackley, General Counsel  
Mr. Noyes, Director, Division of Research  
and Statistics  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Dembitz, Associate Adviser, Division of  
Research and Statistics  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Benner, Assistant Director, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on August 8, 1961, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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 President of Federation Bank and Trust Company, New York, New York, regarding the possibility of applying "country bank" reserve requirements to the first \$150,000,000 of demand deposits held by reserve city banks. (With a copy to the Federal Reserve Bank of New York.)

1

8/10/61

-2-

Item No.

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| Letter to the Federal Reserve Bank of Atlanta regarding the trust power application of The Coral Gables First National Bank, Coral Gables, Florida.  | 2 |
| Letter to the Federal Reserve Bank of Minneapolis waiving the assessment of penalties incurred by First National Bank of Maiden Rock, Wisconsin, on deficiencies in its required reserves.   | 3 |
| Letter to the Colorado State Bank Commissioner, Denver, Colorado, regarding the possible bank holding company status of Flatirons Investment Company or First National Bank in Boulder, Boulder, Colorado. (With a copy to the Federal Reserve Bank of Kansas City.) | 4 |

Messrs. Thomas, Noyes, Farrell, Dembitz, and Hostrup then withdrew from the meeting.

Report on competitive factors (Lynchburg, Virginia). A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Commercial Trust and Savings Bank, Lynchburg, Virginia, into The Lynchburg National Bank and Trust Company, Lynchburg, Virginia, had been distributed under date of August 7, 1961.

In discussion, certain changes in the wording of the conclusion of the report were suggested, following which the report was approved unanimously for transmittal to the Comptroller. The conclusion in the report, as transmitted, read as follows:

There does not appear to be much competition between applicant banks, principally due to the smaller bank's specialization in consumer financing. The proposed transaction probably would not appreciably reduce competition.

8/10/61

-3-

Conference of examiners. Pursuant to the recommendation in a memorandum dated August 3, 1961, from Mr. Solomon, which had been circulated, the Board authorized a conference of representatives of the bank examination departments of the Federal Reserve Banks on Thursday, October 12, 1961, in connection with the annual meeting of the National Association of Supervisors of State Banks in Las Vegas, Nevada.

The Board's action also included approval of the attendance of Messrs. Solomon, Masters, and Benner of the Division of Examinations at the proposed examiners' meeting and at the annual meeting of the National Association of Supervisors of State Banks.

Conference of Counsel. Governor Shepardson reported that plans were being formulated for a fall conference of Counsel of the Board and the Federal Reserve Banks; the most recent such conference had been held in 1957. It was planned to invite the Reserve Banks to have their legal staffs represented rather liberally, with the thought that the meeting would be helpful and instructive to the junior staff members and also that representatives of the Board would have an opportunity to become better acquainted with them.

In commenting on plans for the conference, Mr. Hackley indicated that the meeting would be held at the Board's offices, probably on October 2 and 3, with a dinner included in the schedule.

After a brief discussion, the Board authorized the holding of the proposed conference, and it was understood that the necessary arrangements would be made by the Legal Division.

8/10/61

-4-

Messrs. Hackley, Solomon, and Benner then withdrew.

Holding of public office by employee of Buffalo Branch. At the Board meeting on July 21, 1961, consideration was given to an inquiry from an attorney in Buffalo, New York, as to whether an individual who apparently was an employee of the Buffalo Branch of the Federal Reserve Bank of New York would be precluded from running for the office of Justice of the Peace in one of the towns near Buffalo. On the basis of the discussion at that meeting, an interim reply was sent to the attorney and the Federal Reserve Bank of New York was requested to provide relevant information regarding the specific case involved.

Governor Shepardson reported that it had now been learned from the Federal Reserve Bank of New York that the employee in question, Edward D. Rebmann, a guard, had informed Reserve Bank officials that for personal reasons, as well as possible interference with the performance of his duties at the Buffalo Branch, he had declined nomination for election to the office of Justice of the Peace. Accordingly, the matter appeared to be closed.

It was understood that an appropriate letter would be sent to the attorney who made the original inquiry.

The meeting then adjourned.

8/10/61

-5-

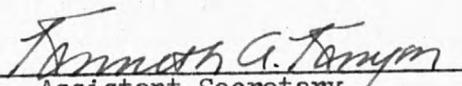
Secretary's Notes: Pursuant to the recommendation contained in a memorandum from the Division of Administrative Services dated August 7, 1961, Governor Shepardson approved on behalf of the Board on August 9, 1961, acceptance of the resignation of Mariellen A. Ford, Clerk-Typist in that Division, effective at the close of business August 18, 1961.

Governor Shepardson today approved on behalf of the Board the following items:

Memoranda dated August 7, 1961, from the Division of Research and Statistics recommending acceptance of the resignations of Sue H. Poulton, Statistical Assistant, and Carol Ann Mullaney, Statistical Clerk-Typist, both effective at the close of business August 18, 1961.

Memorandum dated August 10, 1961, from Mr. Solomon, Director, Division of Examinations, recommending that two additional FR-12 positions and one additional FR-9 position be created in the Division of Examinations and that the resulting overexpenditure in the Division's budget be authorized.

Memorandum from the Legal Division dated August 9, 1961, requesting approval of an expected overexpenditure of \$3,000 in that Division's Special Project Budget in connection with the printing of 15,000 paper-bound copies and 1,000 loose-leaf copies of a new edition of the Federal Reserve Act.

  
Assistant Secretary

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

Item No. 1  
8/10/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 10, 1961



Mr. T. J. Shanahan, President,  
Federation Bank and Trust Company,  
10 Columbus Circle,  
New York 19, New York.

Dear Mr. Shanahan:

This refers to your letter of July 12 addressed to Mr. Hayes, President, Federal Reserve Bank of New York, requesting that consideration be given to the possibility of applying "country-bank" reserve status to the first \$150,000,000 of demand deposits held by reserve city banks. Copies of your letter and of the reply thereto which was made by Vice President Crosse of the Federal Reserve Bank of New York under date of July 31 have been brought to the Board's attention. As pointed out by Mr. Crosse, such an approach would not of course be possible under existing legislation; amendment of Section 19 of the Federal Reserve Act would be necessary.

The Board concurs in the views expressed by Mr. Crosse that the mechanism you suggest merits further study as a new approach to differential reserve requirements. The specific figure you mention, it might be pointed out, would permit lower requirements for the bulk of the deposits of most reserve city banks and result in a substantial reduction in total reserves required for all member banks.

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  
8/10/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 10, 1961

Mr. J. E. Denmark, Vice President,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Denmark:

This refers to recent telephone conversations about the application for full trust powers by The Coral Gables First National Bank, Coral Gables, Florida, received on June 28, 1961. As was stated to you and Mr. Sheffer previously, serious doubts about this application have arisen because of the common ownership of this bank and the Central Bank and Trust Company, Miami, Florida. The current examination of the latter made by the Federal Deposit Insurance Corporation as of August 29, 1960, discloses serious criticisms about both the commercial and trust departments of the State bank and indicates a most unsatisfactory condition. Although the condition of the Coral Gables bank is satisfactory, this bank has only recently been acquired by the principal owner of the Central Bank. The existence of this common ownership raises the question whether the Coral Gables bank may also eventually suffer from the same defects of management exemplified by the Central Bank. Since the Coral Gables bank presumably might deteriorate similarly under the same management, doubts are held by the Board as to the advisability of authorizing the national bank to exercise trust powers.

It is understood that the FDIC will again examine the Central Bank in the near future. The opinion has been stated to you that the condition of the Central Bank may have substantially improved in the interim. It is the Board's view, in which it is understood you concur, that a decision on the trust power application be deferred until the examination report is received covering the prospective examination of the Central Bank and the present condition of the bank can be appraised. While it may be four months or longer before the new report is available, the delay would appear to be justified by the circumstances.

If the national member bank expresses dissatisfaction with this arrangement after you have discussed it with that bank, the Board would consider the trust power application forthwith.

FEDERAL RESERVE SYSTEM

Mr. J. E. Denmark

- 2 -

In that event, however, there is a possibility that an unfavorable decision would be reached at this time.

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. 3  
8/10/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 10, 1961

Mr. A. W. Mills, First Vice President,  
Federal Reserve Bank of Minneapolis,  
Minneapolis 2, Minnesota.

Dear Mr. Mills:

This refers to your letter of July 31, 1961, regarding the penalties aggregating \$119.52 incurred by the First National Bank of Maiden Rock, Wisconsin, on deficiencies in its required reserves during eight of the computation periods since December 15, 1960.

It is noted that these deficiencies resulted from a mistake by the member bank in interpreting your Bank's circular letter regarding changes in Regulation D, as a result of which the member bank had included its balances with the Federal Reserve Bank with the balances due from correspondent banks when submitting reports for reserve purposes.

In view of your recommendation and in recognition of the member bank's previous record in maintaining its reserves, the Board authorizes your Bank to waive the assessment of these penalties, aggregating \$119.52 for the eight periods since December 15, 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  
8/10/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 10, 1961

Mr. Frank E. Goldy, State Bank Commissioner,  
State of Colorado Banking Department,  
State Office Building,  
Denver 2, Colorado.

Dear Mr. Goldy:

This refers to previous correspondence concerning the possible bank holding company status of Flatirons Investment Company or the First National Bank in Boulder, Boulder, Colorado.

As mentioned in the previous correspondence, Mr. L.F. Mills, Vice President, Federal Reserve Bank of Kansas City, obtained additional information regarding the possibility that such a status existed. On the basis of the information furnished to Mr. Mills, the Board has concluded that neither the Flatirons Investment Company nor the First National Bank in Boulder directly or indirectly owns, controls, or holds with power to vote as much as 25 per cent of the voting shares of any bank or bank holding company. Further, it appears that neither the Company nor the Bank controls in any manner the election of a majority of the directors of any bank, and the shareholders of the Company or the Bank are not the beneficial owners through trusteeship of as much as 25 per cent of the voting shares of any bank or bank holding company. Accordingly, no bank holding company status exists and there has been no violation of the Bank Holding Company Act of 1956.

The Board again expresses appreciation for your referral of this matter to us.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.