Minutes for August 21, 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, August 21, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Balderston, Vice Chairman

Mr. Mills Mr. King

Mr. Kenyon, Assistant Secretary

Mr. Young, Adviser to the Board and Director, Division of International Finance

Mr. Molony, Assistant to the Board

Mr. Fauver, Assistant to the Board

Mr. Spencer, General Assistant, Office of the Secretary

Messrs. Furth, Katz, Irvine, Reynolds, Dahl, Elrod, Emery, Gemmill, and Maroni of the Division of International Finance

Messrs. Noyes, Garfield, Holland, Robinson, Altmann, Gehman, Manookian, Peret, Solomon, and Wernick, and Misses Dingle and Stockwell of the Division of Research and Statistics

Mr. Holmes, Manager, Securities Department, Federal Reserve Bank of New York

Economic review. The Divisions of International Finance and Research and Statistics presented a review of recent foreign and domestic economic and financial developments, at the conclusion of which Mr. Holmes and all members of the Board's staff except Messrs. Kenyon and Spencer Withdrew and the following entered the room:

Mr. Hackley, General Counsel

Mr. Solomon, Director, Division of Examinations

Mr. Masters, Associate Director, Division of Examinations

Mr. Goodman, Assistant Director, Division of Examinations

Mr. Sprecher, Assistant Director, Division of Personnel Administration

Mr. Potter, Assistant Counsel

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 Bank of America, New York, New York, granting consent to the opening of the Genoa-Sampierdarena agency on July 10, 1961, by Banca d'America e d'Italia and extending the time for opening the Trieste-Via Belpoggio agency.	1
Letter to The Central National Bank of Alva, Alva, Oklahoma, approving its application for fiduciary powers.	2
Letter to the Federal Reserve Bank of Cleveland approving the payment of salary to an officer at the rate fixed by the Board of Directors.	3

Mr. Goodman then withdrew from the meeting.

Report on competitive factors (Springfield-Westfield, Massachusetts).

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Third National Bank and Trust Company of Springfield, Springfield, Massachusetts, and Hampden National Bank and Trust Company of Westfield, Westfield, Massachusetts, had been distributed with a memorandum from the Division of Examinations dated August 14, 1961.

Governor King commented that he had noted a tendency in the conclusion of some of the competitive reports, including this one, to state that only a small amount of competition would be eliminated by the proposed

merger, while on the other hand indicating that intensified competition would result in the area concerned. He pointed out that the elimination of whatever competition existed between the banks planning to merge was a fact, while it was more a matter of speculation as to whether competition in the area concerned would be intensified. Therefore, he would suggest being careful not to color the conclusion favorably on the basis of speculation.

Mr. Solomon replied that the Division of Examinations would keep in mind the point raised by Governor King in preparing future reports.

There being agreement with a change in the wording of the conclusion in the instant case that would reflect Governor King's suggestion, the report was approved unanimously in a form in which the conclusion read as follows:

The proposed consolidation would eliminate a small independent bank and existing and potential competition between Third National and Hampden National. However, the resulting bank would provide a somewhat larger range of banking services and resources; as a result, competition between Third National and its chief competitor, Valley Bank and Trust Company, Springfield, the largest bank in the area, might be intensified, but without apparent adverse effect on the remaining banks in the area.

Report on competitive factors (Asbury Park-Red Bank, New Jersey).

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Merchants Trust

Company of Red Bank, N. J., Red Bank, New Jersey, with Asbury Park
Manasquan National Bank, Asbury Park, New Jersey, had been distributed

8/21/61

-4-

With a memorandum from the Division of Examinations dated August 15, 1961.

The conclusion in the report read as follows:

There does not appear to be any appreciable amount of competition between the consolidating institutions. The proposed consolidation would enhance the competitive position of the applicant and continuing bank, but would not provide it with a dominant position. Competition in the Asbury Park-Red Bank areas and in Monmouth County probably would be increased by the proposed transaction.

The report was $\underline{\text{approved}}$ unanimously for transmission to the $\texttt{Comptroller}_{ullet}$

Report on competitive factors (Harrisburg, Pennsylvania). There had been distributed, with a memorandum from the Division of Examinations dated August 11, 1961, a draft of report to the Comptroller of the Currency regarding the competitive factors involved in the proposed consolidation of The Harrisburg National Bank, Harrisburg, Pennsylvania, and Harrisburg Trust Company, Harrisburg, Pennsylvania. The conclusion in the report read as follows:

The proposed consolidation of The Harrisburg National Bank, Harrisburg, Pennsylvania, and Harrisburg Trust Company, Harrisburg, Pennsylvania, would eliminate no competition between the two institutions as no effective competition exists; it would have virtually no effect on competition with other banks in the area.

The report was $\underline{\text{approved}}$ unanimously for transmission to the $\mathtt{Comptroller}_{\bullet}$

Report on competitive factors (Charleston-Florence, South Carolina).

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Bank of Florence, Florence,

8/21/61

-5-

South Carolina, into The Citizens and Southern National Bank of South Carolina, Charleston, South Carolina, had been distributed with a memorandum from the Division of Examinations dated August 15, 1961.

The report, in which the conclusion read as follows, was approved unanimously for transmission to the Comptroller:

The proposed merger would eliminate no important competition and probably would have the effect of increasing, slightly, competition between C & S and The South Carolina National Bank of Charleston, the largest bank in the State.

Report on competitive factors (Durham-Chapel Hill, North Carolina).

There had been distributed, with a memorandum from the Division of

Examinations dated August 15, 1961, a draft of report to the Federal

Deposit Insurance Corporation regarding the competitive factors involved in the proposed merger of The University National Bank of Chapel Hill,

Chapel Hill, North Carolina, into Durham Bank & Trust Company, Durham,

North Carolina. The conclusion in the report read as follows:

There is no evidence of major competition between the constituents. There is some indication that competition might be stimulated in Chapel Hill as a result of injection of the larger bank in that community.

The report was $\underline{\text{approved}}$ unanimously for transmission to the ${}^{\text{Corporation}}_{\bullet}$

Mr. Masters then withdrew from the meeting.

Continental Bank and Trust Company (Item No. 4). There had been distributed a memorandum from Mr. Hackley dated August 18, 1961, regarding a motion for continuance of show cause hearing in the matter of The

Continental Bank and Trust Company, Salt Lake City, Utah. The memorandum noted that Continental had taken an appeal from the judgment of the United States District Court for the District of Columbia and that on August 16, 1961, counsel for the Board and the bank filed jointly a motion asking that the Board continue the show cause hearing, scheduled for September 6, 1961, until a date 30 days after a decision by the Court of Appeals. The joint motion stated that the ground for the motion was a stipulation agreed to between Board and bank counsel that an accelerated appeal procedure and time table would be followed. Mr. Hackley's memorandum recommended as follows:

- 1. That the joint motion for continuance of the date for the show cause hearing until 30 days after the decision by the Court of Appeals be granted, with the expressed understanding that the previous motions to stay or vacate the Board's order for that hearing are rendered moot; and
- That the granting of the joint motion not be conditioned upon the following of the proposed appellate time table, but that the Board note with approval the agreement of Board counsel to the stipulation as to the accelerated schedule, subject to concurrence by the Department of Justice and without intent to infringe upon the right of the Court of Appeals to determine and control the course of proceedings before that Court.

At the request of the Board, Mr. Hackley reviewed developments in the Continental matter and explained that in view of the filing of the August 16 joint motion, all of the earlier motions before the Board could now be considered moot. The sole remaining question was whether the joint motion for a continuance should be granted. Mr. Hackley also

reviewed the reasons why it would seem desirable to him that an order granting the motion be issued and published in the Federal Register, but that such an order be in the form of the draft presented for the Board's consideration. He further called attention particularly to the portion of the proposed order which would express the view that in the Public interest the matter required early determination.

After discussion, agreement was expressed with Mr. Hackley's recommendations. Accordingly, the issuance of the proposed order was approved unanimously, with the understanding that the order would be the subject of a press release, that it would be published in the Federal Register, and that copies would be transmitted to the interested parties. A copy of the order, as issued, is attached as Item No. 4.

The meeting then adjourned.

Assistant Secretary



BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1 8/21/61

ADDRESS OFFICIAL CORRESPONDENCE

August 21, 1961

Mr. Tom B. Coughran,
Executive Vice President,
Bank of America,
41 Broad Street,
New York 15, New York.

Dear Mr. Coughran:

This will acknowledge receipt of your letter of August 1, 1961, transmitted through the Federal Reserve Bank of New York, referring to the Board's letter of May 20, 1960, granting consent to the establishment by Banca d'America e d'Italia ("BAI"), Milan, Italy, of various agencies including proposed agencies in Genoa-Sampierdarena and Trieste-Via Belpoggio corner Via Grumula, provided such agencies were opened on or before June 1, 1961.

It is understood that BAI has informed you that, due to unforeseen delays in alterations and equipment it was not able to open the Genoa-Sampierdarena Agency until July 10, but BAI overlooked notifying you in advance of the delay. It is noted that the proposed Trieste Agency has not been established and you are awaiting details as to the present plans and schedule for its opening.

In the circumstances and in accordance with your request, Sampierdarena Agency on July 10, 1961, and extends to January 1, 1962, the time within which the Trieste-Via Belpoggio corner Via Grumula Agency may be opened.

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 8/21/61

ADDRESS OFFICIAL CORRESPONDENCE

August 21, 1961

Board of Directors, The Central National Bank of Alva, Alva, Oklahoma.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary Powers and grants The Central National Bank of Alva authority to act, when not in contravention of State or local law, as executor, administrator, guardian of estates, and committee of estates of lunatics. 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.



BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3 8/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1961

CONFIDENTIAL (FR)

Mr. W. D. Fulton, President, Federal Reserve Bank of Cleveland, 1455 East Sixth Street, Cleveland 1, Ohio.

Dear Mr. Fulton:

The Board of Governors approves the payment of salary to Mr. Addison T. Cutler as Special Economist of the Federal Reserve Bank of Cleveland, for the period September 1 through December 31, 1961, at the rate of \$15,500 per annum, the rate fixed by your Board of Directors as reported in Your letter of August 10, 1961.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of:

THE CONTINENTAL BANK AND TRUST COMPANY Salt Lake City 10, Utah

ORDER FOR CONTINUANCE OF SHOW CAUSE ORDER HEARING

Considered together, (1) Respondent's Motion for Stay of Proceedings, (2) Board Counsel's Motion for Extension of time in which to Respond to Motion for Stay of Proceedings Filed by Respondent, (3) Respondent's Opposition to Board Counsel's Motion of July 20, 1961, for an Extension of Time and, in the Alternative, Respondent's Motion to Vacate the Board's Order to Show Cause and for Hearing Thereon, (4) Board Counsel's Memorandum in Response to Respondent's Motion for Stay of Proceedings and to Respondent's Motion to Vacate the Board's Order to Show Cause and for Hearing Thereon, and (5) A Joint Motion for Continuance of Show Cause Order Hearing filed by Counsel for Respondent and Board Counsel.

Following the Board's Order of July 18, 1960, ordering Respondent to increase its capital by a specified amount within a specified period of time, Respondent instituted suit against the Board in the District Court for the District of Columbia.

On June 27, 1961, that Court dismissed Respondent's suit. On June 28, 1961, the Board issued an order for a hearing to commence on September 6, 1961, at which Respondent might show cause why its membership in the Federal Reserve System should not be forfeited. On July 6, 1961, Respondent moved the District Court in effect to set aside its judgment of June 27, 1961. On August 5, 1961, the District Court denied that motion; and on August 16, 1961, Respondent noted an appeal to the United States Court of Appeals for the District of Columbia.

In view of Respondent's joinder with Board Counsel in the Joint Motion for Continuance of Show Cause Order Hearing, filed with the Board on August 16, 1961, the Board considers moot Respondent's earlier motions to stay and to vacate the Board's Order of June 28, 1961, for such show cause hearing, Board Counsel's motion for an extension of time in which to respond to Respondent's Motion for Stay of Proceedings, and Board Counsel's Opposition to Respondent's motions to stay or to vacate the show cause hearing order of the Board.

This matter has been the subject of administrative and judicial proceedings for more than five years. Since it involves a question as to the adequacy of the capital of a particular member bank of the Federal Reserve System and since that bank has challenged the legal authority of the Board to require member

benks to maintain adequate capital, it is a matter which, in
the public interest, requires early determination. The possession or lack of such authority by the Board could be of crucial
importance in connection with bank supervisory efforts to protect
the interests of bank depositors and of the general public.

Accordingly, the Board notes with approval the agreement between
Counsel for Respondent and Board Counsel to the stipulation for
an accelerated appeal procedure and time table which is outlined
in the Joint Motion for Continuance of Show Cause Order Hearing
and is stated to be the ground for that motion. Subject to concurrence on the part of the Department of Justice and without in
any way intending to infringe upon the authority of the United
States Court of Appeals for the District of Columbia, the Board
hopes that such accelerated appeal procedure and time table will
be followed. For the reasons heretofore indicated,

Of Show Cause Order Hearing is granted, and that, therefore, the show cause hearing in this matter ordered to commence on September 6, 1961, shall be continued to a date 30 days from the announcement by the United States Court of Appeals for the District of Columbia of its decision in the appeal taken by Respondent from the June 27 and August 5, 1961 orders of the United States District Court for

the District of Columbia in Civil Action No. 5097-60, The Continental Bank and Trust Company v. Martin et al.

Dated at Washington, D. C., this 21st day of August, 1961.

By order of the Board of Governors.

Voting for this action: Chairman Martin and Governors Balderston, Mills, and King.

Absent and not voting: Governor Shepardson.

Governor Robertson took no part in the Board's consideration of this matter or in the Board's action of this date, having voluntarily withdrawn from participation in the matter for the reasons set forth in the Statement issued by him on June 30, 1959, and made a part of the record in these proceedings.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.

(SEAL)