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6/61

Minutes for September 8, 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

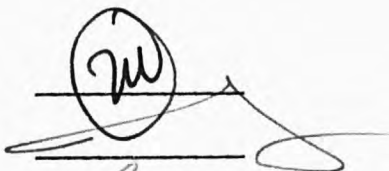
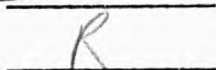
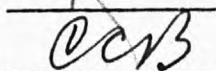

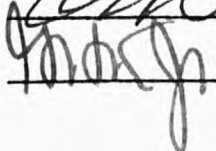
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System
on Friday, September 8, 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. 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. Noyes, Director, Division of Research and
Statistics
Mr. Holland, Adviser, Division of Research
and Statistics
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Knipe, Consultant to the Chairman
Mr. Landry, Assistant to 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 reviewed conditions in the money market, including in his remarks reference to the recently announced advance refunding offer of the Treasury and the plans of the Treasury for near-term cash borrowing. Mr. Eckert then reported on developments with respect to bank credit and the money supply.

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

9/8/61

-2-

Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Kansas City, Dallas, and San Francisco on September 7, 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:

Item No.

Letter to Commerce Union Bank, Nashville, Tennessee, approving the establishment of branches (1) at the northwest corner of South Hamilton Road and Old Hydes Ferry Pike in the unincorporated community of Bordeaux, Davidson County, and (2) near 600 Thompson Lane, Nashville.

1

Letter to The Maries County Bank, Vienna, Missouri, approving an investment in bank premises.

2

Mr. O'Connell, Assistant General Counsel, entered the room at this point.

9/8/61

-3-

Report on competitive factors (Richmond-Petersburg, Virginia).

There had been distributed, with a memorandum from the Division of Examinations dated September 5, 1961, a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Petersburg Savings and American Trust Company, Petersburg, Virginia, into First and Merchants National Bank of Richmond, Richmond, Virginia. The conclusion of the report was as follows:

The proposed merger of First and Merchants National Bank of Richmond and Petersburg Savings and American Trust Company should not eliminate a significant degree of competition as the two banks are not strong competitors. It should intensify competition for the two large banks which presently serve the Petersburg - Colonial Heights - Hopewell area without any significant adverse effects on smaller banks.

There being no objection to the report as drafted, it was approved unanimously for transmission to the Comptroller of the Currency.

Definition of "savings deposits" (Items 3 and 4). On July 25, 1961, the Board considered a revised definition of "savings deposits", as contained in Regulation Q, Payment of Interest on Deposits, that might be published in the Federal Register for comment if the Federal Deposit Insurance Corporation decided to propose a similar amendment to its corresponding regulation. Subsequently, the Board received a letter from the Corporation dated August 17 containing advice that that agency had approved for publication a like amendment to its interest payment regulation. There was enclosed with the letter a copy of a notice of proposed rule making to be published in the Federal Register at

9/8/61

-4-

approximately the same time as the Board published its notice of proposed amendment to Regulation Q.

In a memorandum dated August 24, 1961, from the Legal Division which had been circulated to the Board, it was recommended that an attached notice of proposed rule making with respect to the amendment of Regulation Q now be transmitted to the Federal Register for publication. Since the amendment to Regulation Q required an amendment to the definition of "savings deposits" as contained in the Regulation D, Reserves of Member Banks, the notice of proposed rule making would also relate to that Regulation.

There was also contained in the file on this matter a draft of letter to the Federal Deposit Insurance Corporation informing it that the Board would have no objection to a proposed amendment to the definition of "savings deposits", as contained in the Corporation's call report and assessment regulation. Under date of August 16, 1961, the Federal Deposit Insurance Corporation had requested the Board's written approval of such an amendment, which would be for the purpose of conforming the definition of "savings deposits" to the definition of the term in the Corporation's interest regulation, since the Federal Deposit Insurance Act provides that the Board of Directors of the Corporation shall classify deposits for report of condition and assessment purposes after consultation with the Comptroller of the Currency and the Board of Governors. The law, however, does not require the Board's written approval for such an

9/8/61

-5-

amendment. For this reason the proposed reply to the Corporation simply would advise that the Board had no objection.

After a brief discussion, unanimous approval was given to the notice of proposed rule making and the letter to the Federal Deposit Insurance Corporation. Copies are attached as Items 3 and 4, respectively.

Messrs. Kenyon, Hooff, and Leavitt then withdrew from the meeting and Mr. Shay returned to the room.

Request from Congressman Patman (Item No. 5). On September 6, 1961, the application of Manufacturers Trust Company, New York, New York, for consent to merge with The Hanover Bank, New York, New York, was approved by the Board.

Mr. Shay now reported receipt of a request by telephone from a representative of Congressman Patman that Mr. Patman be furnished (1) a copy of the Board's report to the Comptroller of the Currency on the competitive factors involved in the merger of Continental Illinois National Bank and Trust Company and City National Bank and Trust Company, both of Chicago, Illinois, and (2) a copy of the Board's statement on its decision in the Manufacturers-Hanover case.

In discussion of the first request, it was brought out that with the Board's consent the report on competitive factors referred to had been offered in evidence by the Justice Department in the antitrust proceeding instituted by the Department relative to the Chicago merger. Thus, this report was a matter of public record. With regard to

9/8/61

-6-

Mr. Patman's second request, it was noted that there was being prepared for the Board's consideration a statement of the basis for approval of the merger of Manufacturers Trust Company and The Hanover Bank. Although the ultimate purpose of the statement would be to include it in the Board's Annual Report for 1961, in fulfillment of the statutory requirement, in this instance the statement could be used in advance of publication in the Annual Report for the purpose of providing information to Congressman Patman, and to other interested parties who might request such information, concerning the basis of the Board's action.

At the conclusion of the discussion, it was agreed that Congressman Patman should be furnished, pursuant to the request made on his behalf, (1) a copy of the Board's report on competitive factors involved in the Continental Illinois merger and (2) a copy of the press release issued by the Board on September 6 relative to its action on the Manufacturers-Hanover merger, with the understanding that the letter of transmittal would also indicate to Mr. Patman that a statement elaborating the Board's approval of the latter application was being prepared and that a copy would be sent to him when the statement was ready for release.

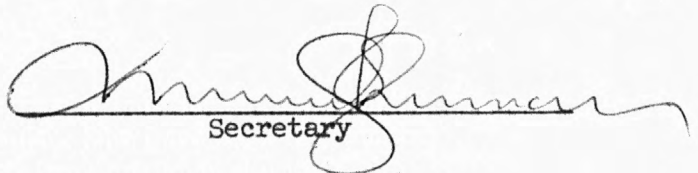
A copy of the letter sent to Congressman Patman pursuant to the foregoing discussion is attached as Item No. 5.

The meeting then adjourned.

9/8/61

-7-

Secretary's Note: In confirmation of a telephone conversation, Chairman Martin advised the Fiscal Assistant Secretary of the Treasury by letter of this date that Federal Reserve examiners had been informed, through the Federal Reserve Banks, of the terms and tax aspects of the Treasury's current advance refunding, including the value at which banks would be allowed to place on their books new bonds received in exchange.



Secretary



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

3082

Item No. 1
9/8/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 8, 1961

Board of Directors,
Commerce Union Bank,
Nashville, Tennessee.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors approves the establishment of two branches (1) at the northwest corner of South Hamilton Road and Old Hydes Ferry Pike, in the unincorporated community of Bordeaux, Davidson County, Tennessee, and (2) near 600 Thompson Lane, Nashville, Tennessee, by Commerce Union Bank, provided the branches are established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



3083

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
9/8/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 8, 1961

Board of Directors,
The Maries County Bank,
Vienna, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment by The Maries County Bank, Vienna, Missouri, of \$75,517 in bank premises for the purpose of constructing new banking quarters. The amount approved includes \$7,300 presently carried on the bank's books which represents the purchase price and cost of clearing land for the new building.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

FEDERAL RESERVE SYSTEM
[12 CFR Parts 204, 217]

Item No. 3
9/8/61

[Regs. D, Q]

RESERVES OF MEMBER BANKS; PAYMENT OF INTEREST ON DEPOSITS

Notice of Proposed Rule Making

The Board of Governors is considering amending paragraph (e) of § 217.1, which defines savings deposits under Part 217, relating to the payment of interest on deposits, and paragraph (e) of § 204.1, which defines savings deposits under Part 204, relating to reserves of member banks.

The purposes of the amendments to Part 217 are (1) to prevent certain practices that facilitate the use of a savings deposit as a regular means for drawing checks on the depository bank, and (2) to add certain liberalizing provisions which would permit payment of a savings deposit to anyone holding title to the deposit in a fiduciary capacity or pursuant to court order, or as security for credit extended to the depositor. The purpose of the amendment to Part 204 is to conform the definition of "savings deposits" as contained in this part to the proposed definition of this term in Part 217.

The proposed amendment to § 217.1 is as follows:

§ 217.1 Definitions.

* * * * *

-2-

(e) Savings deposits. (1) The term "savings deposit" means a deposit

(i) which consists of funds deposited to the credit of one or more individuals, or of a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit;^{4/} or in which the entire beneficial interest is held by one or more individuals or by such a corporation, association, or other organization; and

(ii) with respect to which the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made.

(2) Subject to the provisions of subparagraph (3) of this paragraph, a member bank may permit withdrawals to be made from a savings deposit only through payment^{5/} to the depositor himself (but not to any other person whether or not acting for the depositor), except

(i) where the deposit is represented by a pass book, to any person presenting the pass book;^{5/}

^{4/} Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition but deposits of a partnership operated for profit may not be so classified. Deposits to the credit of an individual of funds in which any beneficial interest is held by a corporation, partnership, association, or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes may not be classified as savings deposits.

^{5/} Payment from a savings deposit or presentation of a pass book may be made over the counter, through the mails, or otherwise.

(ii) to an executor, administrator, trustee, or other fiduciary holding the savings deposit as part of a fiduciary estate;

(iii) to any person, including the depository bank, that has extended credit to the depositor on the security of the savings deposit, where such payment is made in order to enable the creditor to realize upon such security; or

(iv) pursuant to the order of a court of competent jurisdiction.

(3) Notwithstanding the provisions of subparagraph (2) of this paragraph, no withdrawal shall be permitted by a member bank to be made from a savings deposit received after [effective date] through payment to the bank itself or through transfer of credit to a demand or other deposit account of the same depositor if such payment or transfer is made pursuant to any advertised plan or any agreement, written or oral, (i) which authorizes such payments or transfers of credit to be made as a normal practice in order to cover checks or drafts drawn by the depositor upon the bank, or (ii) which provides that such payments or transfers of credit shall be made at daily, monthly, or other such periodic intervals, except where made to enable the bank, on the depositor's behalf and pursuant to his written instructions, to effect the payment of taxes, insurance premiums, or installments of principal, interest, or other charges due on an indebtedness of the depositor.

(4) Where a savings deposit is evidenced by a pass book, every withdrawal made upon presentation of the pass book shall be entered

-4-

in the pass book at the time of withdrawal, and every other withdrawal from such a deposit shall be entered in the pass book as soon as practicable after the withdrawal is made.

The proposed amendment to § 204.1 is as follows:

§ 204.1 Definitions.

* * * * *

(e) Savings deposits. The term "savings deposit" means a deposit

(1) which consists of funds deposited to the credit of one or more individuals, or of a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit;^{4/} or in which the entire beneficial interest is held by one or more individuals or by such a corporation, association, or other organization; and

(2) with respect to which the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made.

^{4/} Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition but deposits of a partnership operated for profit may not be so classified. Deposits to the credit of an individual of funds in which any beneficial interest is held by a corporation, partnership, association, or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes may not be classified as savings deposits.

-5-

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2). The proposed changes are authorized under the authority cited at 12 CFR 217.

To aid in the consideration of the foregoing matter, the Board will be glad to receive from interested persons any relevant data, views, or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the district which will forward it to the Board to be considered. All such material should be submitted in writing to be received not later than 30 days after publication of this notice in the Federal Register.

Dated at Washington, D. C., this 8th day of September, 1961.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

(Signed) Merritt Sherman
Merritt Sherman,
Secretary.

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

Item No. 4
9/8/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 8, 1961

Mr. Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

In reply to your letter of August 16, 1961, requesting the Board's written approval to the proposed amendment to your call report and assessment regulation (12 CFR 327.2(b)(4)) for the purpose of conforming the definition of "savings deposits" as contained in that regulation to the proposed amendment to your interest regulation (12 CFR 329.1(e)), this is to inform you that this Board has no objection to the amendment as proposed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
9/8/61

OFFICE OF THE CHAIRMAN

September 8, 1961.

By Hand

The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

In accordance with the telephone call of this morning from your Mr. Houghton, there is enclosed a copy of the report submitted by the Board to the Comptroller of the Currency, pursuant to the bank merger statute, on the competitive factors involved in the proposed merger of City National Bank and Trust Company of Chicago, Illinois, into Continental Illinois National Bank and Trust Company of Chicago, Illinois. Also enclosed is a copy of my letter to the Honorable Lee Loevinger of August 30, relating that the Board had no objection to the offering of the Board's report by the Department of Justice in evidence in the antitrust proceeding instituted by the Department with respect to the proposed merger; and it is our understanding that the report was so introduced in the public record of that judicial proceeding. I would like to emphasize that the enclosed report of the Board relates only to the competitive factors involved in the merger proposal, and not to the other factors which the Comptroller was required by the statute to consider.

With further reference to Mr. Houghton's telephone call, the Board at the time of its approval on September 6, 1961, of the application of Manufacturers Trust Company, New York, New York, for consent under the bank merger statute to merge with the Hanover Bank, New York, New York, issued immediately an announcement of its action. At the same time, the Board directed its staff to proceed promptly with a statement elaborating the Board's approval. As soon as this statement is ready for release, a copy will be supplied to you without delay.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures.