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Minutes for September 13, 1961



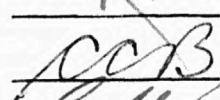
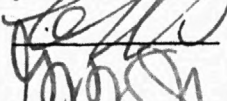
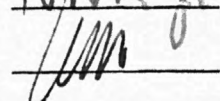

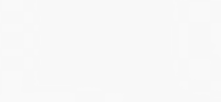
To: Members of the Board

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	
Gov. Mitchell	

Minutes of the Board of Governors of the Federal Reserve System on  
 Wednesday, September 13, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
 Mr. Robertson  
 Mr. Shepardson 1/  
 Mr. King  
 Mr. Mitchell

Mr. Sherman, Secretary  
 Mr. Molony, Assistant to the Board  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Solomon, Director, Division of  
 Examinations  
 Mr. Hostrup, Assistant Director, Division  
 of Examinations  
 Mr. Leavitt, Assistant Director, Division  
 of Examinations  
 Mrs. Semia, Technical Assistant, Office of  
 the Secretary  
 Mr. Poundstone, Review Examiner, Division of  
 Examinations

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:

	<u>Item No.</u>
Letter to County Bank of Santa Cruz, Santa Cruz, California, approving an extension of time to establish a branch in the vicinity of Front and Cooper Streets.	1
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Lancaster, South Carolina, provided that satisfactory arrangements are made for executive management.	2

1/ Entered meeting at point indicated in minutes.

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Item No.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Sebring, Florida, provided satisfactory arrangements are made for executive management.

3

Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Richmond, California.

4

Letter to Chase International Investment Corporation, New York, New York, granting consent to the acquisition of shares of Industria Papelera Centroamericana S. A., Guatemala.

5

Mr. Poundstone then withdrew from the meeting.

Report on competitive factors (Ashtabula-Conneaut, Ohio). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Conneaut Banking and Trust Company, Conneaut, Ohio, with The Northeastern Ohio National Bank of Ashtabula, Ohio, Ashtabula, Ohio. The conclusion of the report read as follows:

The proposed merger of The Conneaut Banking and Trust Company with The Northeastern Ohio National Bank of Ashtabula, Ohio, would eliminate the moderate amount of competition existing between the constituents and would enlarge Northeastern's area of competition. If this merger and the proposed consolidation of Ashtabula's largest bank and the other Conneaut bank are consummated, banking competition in Ashtabula and Conneaut will not be changed significantly. If only the subject merger is consummated, Northeastern will become the largest bank in the county and the remaining independent bank in Conneaut would be competing with a bank about three times its size.

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The third bank in Ashtabula, The Commercial Bank, now competes with two banks, one about three times and the other about four times as large as it is. Although The Commercial Bank could be subjected to increased competition, it is accustomed to competing with larger banks and should not be seriously affected by the proposed transaction.

There being no objection, the report was approved unanimously for transmittal to the Comptroller of the Currency.

Report on competitive factors (Clinton, New Jersey). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Clinton National Bank and The First National Bank of Clinton, both of Clinton, New Jersey.

During a discussion, it was noted that while the Comptroller of the Currency would consider various banking and other factors in acting upon this application, the Board's responsibility was limited to reporting on the competitive factors in the situation. The draft report indicated that, because of common ownership of some of the shares of the two banks proposed to be merged, there was now little competition. The suggestion was made during the discussion, however, that the degree of common ownership was not sufficient to warrant an assumption that competition did not now exist. Therefore, it was felt that the conclusion should be changed to say that elimination of one of only two banks in the city of Clinton obviously would constitute some diminution of competition, even though the smaller bank was not now an aggressive institution. However, in Hunterdon County as a whole a merger of the two banks might strengthen competition because

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the resulting bank would be able to furnish keener competition to other banks in the county.

There being agreement that the wording of the report would be changed to reflect these views, the report was approved unanimously for transmission to the Comptroller of the Currency. The conclusion in the report, as transmitted, read as follows:

Consolidating The Clinton National Bank and The First National Bank of Clinton would eliminate existing competition between the only two banks now located in Clinton, New Jersey. However, the larger Clinton National Bank is outcompeting the smaller bank significantly and it appears the smaller bank is not providing particularly effective competition. Insofar as concerns Hunterdon County, competition would probably be increased, for the continuing bank with a larger lending limit and increased resources should be able to compete more effectively with other banks in the county.

Governor Shepardson and Mr. O'Connell, Assistant General Counsel, entered the meeting during the preceding discussion.

C. B. Investment Corporation. A memorandum dated August 25, 1961, from the Legal Division had been distributed in connection with a request from C. B. Investment Corporation, Houston, Texas, a registered bank holding company, for reconsideration of a request in the Board's letter of January 30, 1961, for disposal of certain bank shares held by the Corporation.

Governor Robertson stated that he had not had an opportunity to study the August 25 memorandum as fully as he would like before arriving at a position in this rather complicated case. For that reason, he would find it helpful to have a review of the background of the case and a

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preliminary discussion this morning, with the thought that the item would be carried over for decision at tomorrow's meeting.

There being agreement with this suggestion, Mr. O'Connell commented on the memorandum, setting forth the developments through which the holding company had acquired the shares, the reasons for the Board's action in January in requiring disposal of certain shares, the subsequent request of the Corporation and recommendation of the Federal Reserve Bank of Dallas for a modification of the Board's divestment request, and the several alternatives of action that the Board might wish to consider. At the conclusion of a general discussion of the facts of the case and related matters, such as the purposes of the Bank Holding Company Act and the distinction between it and the 1933 legislation in regard to holding company affiliates, it was understood that the matter would be placed on the agenda for the meeting tomorrow.

Mr. Hostrup then withdrew from the meeting.

North Shore Bank, Miami Beach (Item No. 6). A memorandum from the Division of Examinations dated September 12, 1961, had been distributed in connection with a request from the Department of Justice for continued use of examination reports of North Shore Bank, Miami Beach, Florida. It was recalled that these examination reports, which covered the past 15 years, were placed in the custody of Thomas E. Lindsey, an examiner of the Federal Deposit Insurance Corporation assigned to assist the United States Attorney.

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The reports were to be used in obtaining information in connection with certain criminal prosecutions against officers and directors of North Shore Bank, but not for use as evidence. The original arrangement, made in January 1961, had been extended from time to time, the most recent extension having been from June 18 to September 18, 1961. The present request was for an additional 90-day extension subject to the same terms as the original loan. The Division of Examinations recommended that the request be granted, and a draft of letter to the Department of Justice reflecting that recommendation was attached to the memorandum.

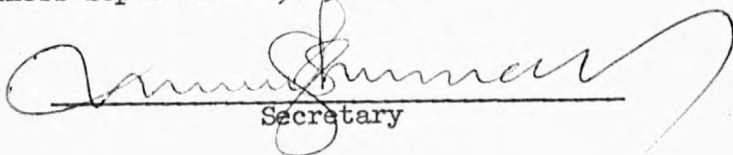
Governor Shepardson inquired whether, rather than grant repeated extensions for retention of the reports, permission should be granted for the use of the reports until the end of the trial. Governor Robertson suggested as an alternative that the staff be authorized to grant further requests received from the Department of Justice for extensions of time to retain the reports until such time as it might be considered desirable again to bring the matter before the Board, and agreement was expressed with this suggestion.

The letter to the Department of Justice was then approved unanimously.

A copy is attached as Item No. 6.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Research and Statistics, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Suzanne Courtright, Statistical Clerk in that Division, effective at the close of business September 11, 1961.

  
Secretary

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

Item No. 1  
9/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 13, 1961



Board of Directors,  
County Bank of Santa Cruz,  
Santa Cruz, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to March 14, 1962, the time within which County Bank of Santa Cruz may establish an in-town branch in the vicinity of Front and Cooper Streets.

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  
9/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 13, 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 received from your office dated March 8, 1961, enclosing copies of an application to organize a national bank at Lancaster, South Carolina, and requesting a recommendation as to whether or not the application should be approved.

A report of the investigation of the application furnished by the Federal Reserve Bank of Richmond indicates that the proponents expect to provide a minimum capital structure of \$320,000 for the bank, instead of \$150,000 shown in the application. This proposed capital structure would appear to be adequate. The prospects for profitable operations appear favorable, and although the chief executive officer has not been chosen, the general character of management is regarded as satisfactory. While there is no urgent demand for additional banking facilities, the proposed bank would provide an independent source of banking services which would be in the public interest. Accordingly, the Board of Governors recommends favorable consideration of the application provided arrangements for executive management are made which would be satisfactory to your office.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM Item No. 3  
WASHINGTON 25, D. C. 9/13/61



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 13, 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 1, 1961, enclosing copies of an application to organize a national bank at Sebring, Florida, 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 Atlanta indicates favorable findings with respect to the proposed capital, earnings, and need for the institution. The directors are a competent group of businessmen and management would appear satisfactory if a competent executive officer is employed. Accordingly, the Board of Governors recommends favorable consideration of this application provided arrangements are made for executive management which is satisfactory to your office.

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. 4  
9/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 13, 1961

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

Attention: Mr. C. C. Fleming,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated April 24, 1961, enclosing copies of an application to organize a national bank at Richmond, California, 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 San Francisco indicates the capital structure would be adequate. However, future earnings prospects are marginal, and management is regarded as only fair, particularly since proponents have given only little consideration to the bank's prospects and the responsibilities they wish to assume. In view of existing banking facilities in the area, there does not appear to be any substantial need to be served which would warrant establishment of the proposed bank at this time. Accordingly, the Board of Governors does not feel justified in recommending favorable consideration of the proposal.

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. 5  
9/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 13, 1961

Chase International Investment Corporation,  
1 Chase Manhattan Plaza,  
New York 5, New York.

Gentlemen:

In accordance with the request contained in your letter of August 2, 1961, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants its consent for Chase International Investment Corporation ("CIIC") to exercise an option to purchase and hold not to exceed 750 shares of common stock of Industria Papelera Centroamericana S. A. ("IPCA"), a Guatemalan corporation, at par (\$100 per share), and at a cost not to exceed \$75,000, such consent to remain in effect until December 31, 1967.

The Board's consent is granted upon condition that CIIC shall dispose of its holdings of stock of IPCA, as promptly as practicable, in the event that IPCA should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by CIIC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

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. 6  
9/13/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 13, 1961

Mr. Herbert J. Miller, Jr.,  
Assistant Attorney General,  
Criminal Division,  
Department of Justice,  
Washington 25, D. C.

Attention: Mr. Nathaniel E. Kossack,  
Chief, Fraud Section

Re: United States v. Baron DeHirsch Meyer, et al.  
(HJM:DRW:sv)  
29-18-243

Dear Mr. Miller:

This refers to your letter of September 11, 1961, in which you request the continued use of reports of examination of the North Shore Bank, Miami Beach, Florida, for a further period of 90 days from September 18, 1961. The Board agrees to this extension of time under the arrangements previously consummated that the reports are to remain in the custody of Mr. Thomas E. Lindsey, Examiner, Federal Deposit Insurance Corporation, and are not to be presented or taken to the court nor used in evidence in any legal proceeding.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

