

Minutes for September 22, 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

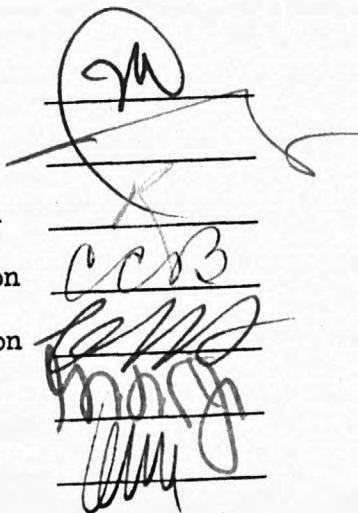
Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Handwritten initials and signatures on lines next to the names of the Board members. The initials for Chm. Martin are 'gm'. The initials for Gov. Mills are 'mm'. The initials for Gov. Robertson are 'rb'. The initials for Gov. Balderston are 'cb'. The initials for Gov. Shepardson are 'sp'. The initials for Gov. King are 'k'. The initials for Gov. Mitchell are 'm'.

Minutes of the Board of Governors of the Federal Reserve System on Friday, September 22, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Miss Carmichael, 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. 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. Yager, Economist, Division of Research and
 Statistics

Money market review. Mr. Yager reviewed developments in the Government securities market, following which Mr. Thomas summarized the bank credit situation.

Messrs. Thomas, Young, Holland, Koch, and Yager then withdrew and Mr. Hackley, General Counsel, and Messrs. Solomon, Director, and Leavitt, Assistant Director, Division of Examinations, entered the room.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on September 21, 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.

9/22/61

-2-

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 Savings Deposit Bank and Trust Company, Elyria, Ohio, approving an extension of time to establish a branch at Lake Avenue and Griswold Road in Elyria Township.	1
Letter to Wells Fargo Bank American Trust Company, San Francisco, California, approving the establishment of a branch in the vicinity of the intersection of Winding Way and Manzanita Avenue in Sacramento County.	2

Application of Wells Fargo Bank American Trust Company (Item No. 3).

Pursuant to the understanding at the meeting on September 21, 1961, there had been prepared and distributed a draft of letter to Wells Fargo Bank American Trust Company, San Francisco, California, with reference to its application to merge with The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California. The letter would invite the bank to submit further information or comments on the proposal and would indicate the willingness of the Board to arrange for an oral presentation of such information and comments if desired.

After Mr. Solomon had suggested a number of changes in the draft of letter, Governor Robertson commented that he would have no objection to the letter, although he was doubtful that it would evoke any new facts.

9/22/61

-3-

Governor Shepardson said the letter seemed satisfactory and would be in accordance with the procedure established at the July 27, 1961, meeting with reference to merger application procedures.

Governor King agreed that the letter seemed appropriate in the light of earlier discussions of the application and the procedure agreed upon at the July 27 meeting. However, looking ahead, he wondered how a possible adverse decision in this case would fit into the pattern of Board decisions on merger applications, and what impression would be given by such an adverse decision. He noted that the Board's report to the Comptroller of the Currency on the competitive factors involved in the merger of City National Bank and Trust Company of Chicago into Continental Illinois National Bank and Trust Company of Chicago, which had been approved unanimously, had expressed the view that the merger would substantially lessen both existing and potential competition. More recently the Board had approved the application of Manufacturers Trust Company to merge with The Hanover Bank. If, on the heels of the latter decision, the Board were to deny this application of Wells Fargo on the grounds that it would permit further concentration of banking in California and reduce potential competition, he believed the public would have difficulty in understanding the Board's position.

Governor Balderston then commented that Governor King had raised a point that the Board would want to recognize when making a final decision on the Wells Fargo application.

9/22/61

-4-

Governor Mitchell said he thought the issue was different in this case than in the Chicago and New York mergers to which Governor King had referred. So far as the Wells Fargo application was concerned, there was a general question as to the extent to which banks should be permitted to merge their resources. In other words, should all banks be permitted to try to become as large as the largest in the State? In regard to the draft letter, Governor Mitchell stated that he was not happy with it. He believed that the applicant bank might not know what to do if it received such a letter and that it might place the Board in a poor light.

Governor Balderston said he likewise had doubts as to the best procedure in these cases. However, he had not been happy with the handling some months ago of the application of Dauphin Deposit Trust Company to merge with Camp Curtin Trust Company, both of Harrisburg, Pennsylvania, on which the Board reversed an unfavorable decision following an oral presentation by the applicant and reconsideration by the Board. The procedure adopted July 27 was intended to eliminate the need for reconsideration after a decision was taken by giving the applicant opportunity to present additional information or arguments in favor of an approval when it appeared that the Board was inclined toward disapproval.

Governor Balderston went on to say that he had talked with the staff regarding the possibility of sending Wells Fargo a letter that would specify more definitely the type of additional information in

9/22/61

-5-

which the Board would be interested in considering the Santa Cruz application, but the staff had pointed out that if the Board's letter were overly specific it might be misinterpreted. He had concluded that the questions he had in mind, especially with reference to future plans of Wells Fargo, were of such a nature that they could best be asked directly when talking with a representative of the bank rather than in a letter.

Governor King commented that he thought the Board probably was making a fundamental mistake in the way it was handling these applications. In his view, it was trying to have its cake and eat it too. The Board was trying to consider applications in a judicial manner but with equal attention being given to public relations, and he did not think this could be done successfully. In effect, the Board was saying that, if it looked as though it would deny an application, it would give the applicant another chance before doing so, and the latter step was supposed to get better public relations. He was afraid the Board had now reached the point where it would have worse rather than better public relations by this procedure, not only with the applicant directly concerned, but with the public generally. He suspected that the Board would come to a procedure whereby it made a single decision and then stood by it unless substantial new information was presented. In doing this, however, he felt it would be important for the Board to take all the time necessary to reach that first decision, perhaps having more than one tentative discussion of a case before actually deciding it. The Board should

9/22/61

-6-

develop all the information needed to make the decision, give full study and consideration to that information and to the staff analysis and views on the case, and discuss and re-argue different points of view before making a definite decision. He would hope that when this was done each member of the Board would arrive at a position that he was satisfied with and on which he would be willing to stand unless and until substantial new facts were presented.

Governor Robertson said that there was a great deal to be said for the comments put forward by Governor King. However, the question of procedures was one that the Board had put over for a full Board meeting at the end of October, at which time the whole question was to be reviewed, and his understanding was that the Board would not wish to make a change in present procedures before that meeting.

Governor King said he agreed completely with that, that his comments were made because he found that he was better able to prepare himself for consideration of a subject such as this if he had several discussions and "thought out loud" about the problem in advance of taking action, and if he also had a chance to hear and reflect on the thoughts of others on the same subject. The way this subject was developing, he felt that any thoughts any member of the Board might have should be expressed at the earliest possible time so that others could be thinking of the problem in the light of all the comments that might be made.

9/22/61

-7-

Mr. Hackley noted that, in view of recent discussions of the subject of procedures, he was preparing an additional memorandum which would supplement his memoranda of May 26 and September 20, 1961. He hoped this would serve to simplify and clarify some of the proposals contained in the earlier memoranda, and thus be of assistance to the Board prior to consideration of the subject at the meeting at the end of October.

Governor Balderston then reverted to the draft letter to Wells Fargo regarding the Santa Cruz merger application, and Governor Robertson and others suggested several editorial changes which were accepted.

Approval was then given to the letter in the form of attached Item No. 3.

Request of Warren Bank (Item No. 4). Mr. Solomon reported that a request had been received from Warren Bank, Warren, Michigan, for permission to interchange the locations of its head office at 21532 Van Dyke Avenue and its branch at 27248 Van Dyke Avenue, Warren, Michigan, such action to be effective Monday, September 25, 1961.

There being no objection, the request was approved. The letter sent to Warren Bank pursuant to this action is attached as Item No. 4.

At this point all of the members of the staff except Mr. Sherman and Mr. Hackley withdrew from the meeting.

Service of Class C director as a director of a small business investment corporation. Governor Balderston stated that he had received a telephone call yesterday from President Allen of the Federal Reserve

9/22/61

-8-

Bank of Chicago, who stated that Chairman Briggs of that Bank had informed him of a request that he serve as director of a small business investment corporation being organized in the State of Michigan. Mr. Briggs inquired whether there would be an objection on the part of the Board of Governors to such service.

Governor Balderston went on to state why, under some circumstances, he felt that service of a Chairman of a Federal Reserve Bank as an officer or director of a small business investment corporation could be embarrassing to the System. He pointed out, however, that he had informed Mr. Allen that he did not know how the Board would feel and that he would prefer to discuss the matter before responding to the inquiry.

During the ensuing discussion, Governor Robertson indicated that he would have some concern about service of the type proposed, but he would not go further in indicating an objection.

Governor Mitchell stated that in his view service of the sort suggested should be encouraged unless there was some reason why in the particular instance the individual would prefer not to accept. More generally, Governor Mitchell felt that if Federal Reserve Bank directors were to be effective in their communities it was necessary to get individuals who were actively in demand and who engaged in a variety of functions. His feeling was that the Federal Reserve needed to broaden its base by getting the most articulate, most active individuals of the

9/22/61

-9-

business community to serve as directors; he doubted that this could be accomplished if the Board were to avoid appointing men of that type or were to discourage persons already appointed from taking on additional activities of the sort under discussion.

Governor King expressed views similar to those of Governor Mitchell, adding that he doubted whether it was appropriate for the Board to impose as a condition to service as a director an understanding that a man would not engage in activities of the type described by Governor Balderston.

Governor Balderston noted that it had been necessary for the Federal Reserve to indicate that certain activities--particularly activities of a political nature--were inconsistent with the responsibilities of officers or directors of the Federal Reserve Banks, and he cited an instance in which a director himself felt that a specific political activity which the latter had decided to assume would preclude his continued service as a Reserve Bank director.

At the conclusion of the discussion it was understood that Governor Balderston would inform Mr. Allen of the nature of the discussion that had taken place, indicating that none of the members of the Board were inclined to say that Mr. Briggs should not engage in the activity, that one view was that it would be desirable for him to do so, and that, while some concern was expressed as to possible embarrassment if he did accept, this was a matter for Mr. Briggs to

9/22/61

-10-

decide rather than one on which the Board should take a definite position one way or the other.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

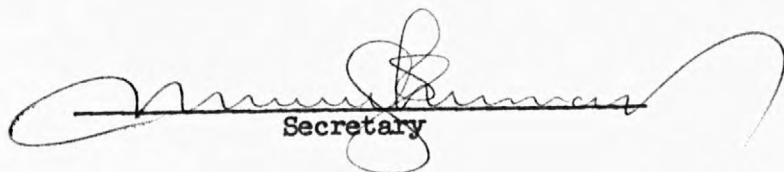
Memoranda from the Division of Administrative Services recommending the appointment of the following persons to the Board's staff, effective the respective dates of entrance upon duty:

Alfred J. Holston, Jr., as Clerk, with basic annual salary at the rate of \$3,500.

Marie E. Kinder as Cafeteria Helper, at the rate of \$1.69 per hour, when actually employed.

Memorandum dated September 22, 1961, stating that Reed J. Irvine, Chief, Far Eastern Section, Division of International Finance, would not take advantage of the authorization given by the Board on August 4, 1961, for actual expense reimbursement during a trip accompanying Governor Balderston to the opening of the new building of the State Bank of Pakistan in November 1961, but would travel on the usual per diem that would be provided under the Board's travel regulations for travel of this nature.

Letter to the Federal Reserve Bank of Boston (attached Item No. 5) approving the designation of Harry R. Mitiguy as special assistant examiner.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM Item No. 1
WASHINGTON 25, D. C. 9/22/61



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1961

Board of Directors,
The Savings Deposit Bank and Trust Company,
Elyria, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System has approved an extension until November 1, 1961, of the time within which The Savings Deposit Bank and Trust Company, Elyria, Ohio, may establish a branch at Lake Avenue and Criswold Road in Elyria Township, Ohio. The establishment of this branch was authorized in a letter dated February 25, 1960.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM Item No. 2
WASHINGTON 25, D. C. 9/22/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1961



Board of Directors,
Wells Fargo Bank American Trust Company,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Winding Way and Manzanita Avenue, in an unincorporated area of Sacramento County, California, by Wells Fargo Bank American Trust Company, provided the branch is established within one year from the date of this letter.

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. 9/22/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1961.

Board of Directors,
Wells Fargo Bank American Trust Company,
San Francisco, California.

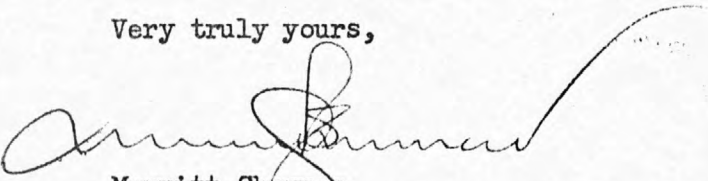
Gentlemen:

Reference is made to your request, submitted through the Federal Reserve Bank of San Francisco, for the consent of the Board of Governors, under section 18(c) of the Federal Deposit Insurance Act, to merge with The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California.

The Board wishes to offer your bank and The Farmers and Merchants National Bank of Santa Cruz an opportunity to submit further information or comments on the proposal, particularly with respect to: (1) how this proposed merger would better serve the convenience and needs of this community which now has several banking offices offering a broad range of banking services; (2) competition between the two banks, particularly potential competition, in view of your bank's intention to compete more directly in the area as indicated by the application for permission to establish a branch in Santa Cruz; and (3) cumulative effects of this and other mergers of Wells Fargo Bank American Trust Company upon other banks and the general competitive situation.

Accordingly, the Board will receive any such further information or comments by October 10, 1961, or, if desired, will arrange for an oral presentation thereof before the Board.

Very truly yours,


Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM Item No. 4
WASHINGTON 25, D. C. 9/22/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1961.

Board of Directors,
Warren Bank,
Warren, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 21532 Van Dyke Avenue, Warren, Michigan, by Warren Bank concurrently with removal of the head office from that location to 27248 Van Dyke Avenue. This approval is given provided the branch is established within six months from the date of this letter.

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
9/22/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1961

Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of September 13, 1961, the Board approves the designation of Harry R. Mitiguy as a special assistant examiner for the Federal Reserve Bank of Boston for the purpose of participating in examinations of State member banks.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

