Minutes for October 5, 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
Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on October 2, 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 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:
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's elevator operators and starters at certain rates.

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

Letter to the Presidents of all Federal Reserve Banks regarding cash agent indemnification agreements.

Mr. Johnson then withdrew from the meeting.

**Fallout shelter.** Pursuant to the understanding at the meeting on September 29, 1961, there had been distributed a memorandum from Messrs. Harris and Kelleher dated September 28, 1961, with regard to a shelter survey of the Board's building to determine (1) the area that would provide the maximum protection against fallout, (2) the adequacy of the area for the accommodation of the building population, and (3) what needed to be done to improve the protection and habitability of the shelter area. Attached to the memorandum was a drawing of the basement area of the Board's building marked to show the pipe, conduit, and air duct tunnels which could be utilized as a sleeping area by the installation of approximately 200 bunks, and a sub-area consisting of 2,715 square feet of usable floor space, with sufficient head room, that could be used for general purposes by the 300 persons not occupying the sleeping quarters. After commenting on various
aspects of the basement relating to ventilation, cooling, water, sanitation, electric power, and supplies, the memorandum noted that, on the basis of technical advice received from White & Mariani, Architects & Engineers, an estimated four months would be required to complete the shelter. A rough estimate placed the total cost in the neighborhood of $100,000, of which approximately $20,000 would be for completion of the shielding and providing fresh filtered air, and the remaining amount for auxiliary power, wiring, independent water supply, and plumbing.

An alternative to making the basement area of the Board's building suitable as a shelter, according to the memorandum, would be to proceed with the construction of a portion of the substructure to the proposed building on the lot owned by the Board on the north side of "C" Street. Although such a structure would be more commodious and comfortable and provide greater blast protection, it would take approximately one year to complete if detailed drawings were started immediately, and the estimated cost might run in the neighborhood of $1 million plus.

At the request of Governor Balderston, Mr. Harris commented on the memorandum, noting that there was at issue the question of the propriety or prudence of the Board's providing an adequate shelter. If the Board decided to provide such facilities, there was the possibility of using either the sub-basement of the present building or constructing a substructure to be used as a shelter across "C" Street. His recommendation would be to proceed with the provision
of facilities in the Board's present building as outlined in the September 28 memorandum, not only because of the time element but also because of the modest estimated expense involved. In this connection he noted that the cost of providing fallout shelter facilities in the Board's building might run less than the $100,000 estimate but that the estimate of $1 million as the cost of a project across "C" Street could well be on the low side. Although the shelter that would be provided in the Board's building would be austere, it would provide some assurance of survival if the building were not in the area of a severe blast or fireball.

Mr. Kelleher said he concurred with the views just expressed by Mr. Harris.

Governor Shepardson stated that the fallout shelter envisaged for the basement of the Board's building would be austere, but this could not be regarded as a significant argument against it given the circumstances under which it would be used. With reference to the element of urgency, he noted that the alternative plan to provide a more commodious shelter across "C" Street would take at least a year, whereas the fallout shelter in the basement of the Board's building could be completed within considerably less time. Governor Shepardson went on to say that he felt it appropriate to move ahead with a shelter plan. Such action would be consistent with recent indications from both Congress and the Administration as to the urgency of providing fallout
shelter facilities, public as well as private, as soon as possible, a factor that had not been in the picture in 1959 when the Board considered constructing fallout shelter facilities across "C" Street. His recommendation, after a full review of the broad question of providing such facilities and the alternatives available, was that the Board would be well advised to proceed at once with a fallout shelter in the basement of the Board's building.

Governor Mills stated that, as he understood the proposal, it was to provide facilities only in the Board's present building and to defer further consideration of plans for a building across "C" Street, and Governor Shepardson confirmed that this was the intent of his recommendation. Governor Mills then said that he would concur in the proposal to go ahead with a basement shelter facility as proposed, largely on the grounds that if there should be an exposure to a disaster of the type against which protection would be sought, there would be little excuse for not having made such preparations. As to the estimated cost of around $100,000, he would leave flexibility in the authorization with the understanding that expenditures would be made subject to the approval of Governor Shepardson.

Governor King said that he felt much as Governor Mills had expressed himself. A few weeks ago he had been inclined toward a structure across "C" Street, but after study of the question he felt that the better procedure now was to proceed with facilities in the
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Board's building. He would approve the authorization for expenditures with sufficient latitude to permit inclusion not only of a well but a large water storage tank if that were found to be desirable and feasible. At the same time, he felt that it would be desirable for the Board, at a time when all members could be present, to give further consideration to plans for a building on the Board's lot on the north side of "C" Street.

Noting that Governor Robertson had indicated that he would have voted to proceed with provision of fallout shelter facilities in the basement of the Board's building as outlined in the memorandum from Messrs. Harris and Kelleher if he had been present, Governor Balderston said that he also favored this plan.

Thereupon, without objection, provision of fallout shelter facilities in the basement of the Board's building at a cost estimated at approximately $100,000 as outlined in the memorandum from Messrs. Harris and Kelleher was authorized, with the understanding that the necessary steps to that end would be undertaken immediately.

Messrs. Fauver, Assistant to the Board, and Hexter, Assistant General Counsel, entered the room during the foregoing discussion and Messrs. Kelleher and Harris withdrew at its conclusion.

Morgan New York State application—question of procedure. On July 27, 1961, there was published in the Federal Register notice of receipt of an application by Morgan New York State Corporation, Albany, New York, for permission to become a bank holding company through acquisition of control of Morgan Guaranty Trust Company, New York City,
and six large banks in upstate New York. At a meeting of the Board on July 24, it had been agreed that the staff should proceed to study the application and to inquire as to what parts should not be made public in the event the Board were to order a hearing on the application at a later date, but that the Board would not then reach a decision as to whether a hearing should be held, it being understood that such decision would be made only after action by the New York State Banking Board on a similar application filed under State law. On September 29, 1961, the New York Banking Board approved the application by Morgan New York State Corporation for permission to become a bank holding company. Accordingly, it appeared to be in order for the Board to determine whether it should issue an order for a hearing on the application that had been submitted to it.

Pursuant to the foregoing considerations, there had been distributed before this meeting copies of a memorandum from Mr. Hackley dated October 4, 1961, with respect to the question whether a public hearing should be ordered on the application by Morgan New York State Corporation. Reference was made in the memorandum to the understanding arrived at several years ago by the Board that, as a general policy, it would consider whether a hearing should be held in any case of unusual importance. After citing several holding company cases in connection with which hearings had been held, the memorandum noted that the proposed holding company would be the...
largest in the country and that recent newspaper reports seemed to assume that a hearing would be held by the Board. Reference also was made to an indication by the Independent Bankers Association of a desire to testify if such a hearing were held and to a letter received under date of October 2, 1961, from Congressman Celler indicating a similar desire.

There had also been received under date of October 3, 1961, a telegram from Congressman Patman inquiring whether the Board intended to hold "open public hearings on the Morgan holding company application, where interested parties may present their views." Copies of the letter from Congressman Celler and of the telegram from Congressman Patman had been distributed.

The memorandum from Mr. Hackley stated that failure to order a hearing on the Morgan New York State application might be difficult to explain and might, in consequence, subject the Board to criticism. Nevertheless, there were listed certain other considerations that the Legal Division felt to be relevant to the question and which the Board might wish to have in mind before reaching a decision on whether to order a hearing on this application. In summary form, these considerations were as follows:

1. The Bank Holding Company Act does not require a hearing on an application to form a holding company unless the State banking authority or the Comptroller of the Currency, as the case may be, expresses disapproval of the application.

2. Previous cases in which the Board ordered a public hearing might be distinguished from the present case.
3. The Board had not ordered public hearings on certain other applications involving the creation of a new holding company.

4. The mere size of the proposed holding company was not a conclusive reason for the holding of a hearing.

5. The Board did not order a hearing with respect to the recent Manufacturers Trust Company-Hanover Bank merger, despite the substantial size of the banks involved.

6. The application in the present case was voluminous in detail and it was unlikely that a public hearing would result in the production of any relevant facts not already furnished to the Board.

7. No hearing was ordered by the New York State Banking Board in connection with its consideration of the present proposal under the provisions of State law.

8. To the extent that the Board might wish to afford interested parties, including objecting banks and Congressmen, an opportunity to express their views, as distinguished from the presentation of further factual material, the objectives of a public hearing could probably be accomplished by affording an opportunity for the public presentation of such views orally before the Board, with an opportunity also for the applicant, as well as objectors, to submit such supplemental written material as they might desire. This would avoid the considerable procedural problems and time delay that that would necessarily be involved in a formal hearing before a hearing examiner.

The memorandum from Mr. Hackley concluded with the observation that in the present case the scheduling of a public oral presentation before the Board at a time in the near future would appear to be preferable to the ordering of a public hearing before a hearing examiner.

Governor Balderston stated that, before discussing the memorandum from Mr. Hackley, he wished to report a telephone call that he received yesterday from Assistant Attorney General Loevinger, who referred to a
telegram that he had received from Congressman Patman (apparently a copy of the telegram the Congressman sent to the Board under date of October 3) regarding the Morgan New York State Corporation holding company application. Governor Balderston said that Mr. Loevinger had inquired as to the status of the application, in response to which Governor Balderston said he informed him that the case was of unusual importance and would require thorough investigation before it was brought before the Board for action. Mr. Loevinger had seemed interested in learning whether there might be a sudden announcement of a Board decision on the application and had commented that he would like to have an opportunity to discuss the case with Chairman Martin and Governor Balderston before either the Justice Department or the Board had crystallized their ideas regarding it. Governor Balderston said that his response to this comment by Mr. Loevinger was that the substantive issues were not before the Board at the moment. He then called upon Mr. Hackley for comment on the latter's memorandum of October 4 and the possible courses that the Board might follow in processing the application of Morgan New York State Corporation.

Mr. Hackley noted that on September 29, 1961, the New York State Banking Board announced approval of the application filed under State law by Morgan New York State Corporation to form a bank holding company, that with such approval there was no legal requirement for the Board to have a hearing on the application that had been submitted to it under the Bank
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Holding Company Act of 1956, but that in some other cases where a hearing was not required under the law the Board had ordered a hearing when the circumstances seemed to warrant that procedure. These latter cases included the application filed in 1956 by First New York Corporation, the application filed in 1960 by Northwest Bancorporation in connection with the proposed acquisition of a bank in Roseville, Minnesota, and the application by Bankers Trust Company of New York for permission to form a bank holding company and to acquire certain banks in Westchester County. In the Bankers Trust case, the Board ordered a public hearing shortly after receiving the application but subsequently cancelled it at the request of the applicant after New York State authorities denied a similar application filed by Bankers Trust under State law.

The application by Morgan New York State Corporation could be distinguished from others in various ways, Mr. Hackley said. For example, there was no evidence of elimination of existing competition as a result of the proposed transaction, and although notice of receipt of the application by the Board had been published in the Federal Register in July, no adverse comments had been received from other banks except for one in Syracuse, New York.

From the standpoint of providing additional factual information on which to base its decision, Mr. Hackley thought it quite doubtful that a hearing would produce anything material for the Board to consider since
the application was voluminous in the amount of information and detail that it provided. Certainly, it was doubtful that a hearing would provide anything commensurate with the delay that would of necessity be involved if that procedure were followed. Mr. Hackley also stated that in various other cases, including the merger application of Manufacturers Trust-Hanover Bank in New York, the Board had not ordered a hearing. For these reasons the Legal Division had considered whether an alternative procedure might be followed in which there would be an oral presentation before the Board at which additional information could be submitted by the applicant and other persons wishing to express views either favorable or adverse to the application. If such an oral presentation were ordered, it could be expected that requests would be received to inspect the application, which could be made available after confidential portions were removed as would be done if a hearing were ordered before a hearing examiner. An oral presentation would require several hours time of Board members but probably would be much less time consuming on the part of both the Board and its staff than would a formal hearing. On the whole, Mr. Hackley felt that an oral presentation of the kind outlined might be a suitable way in which to handle this application, principally on the grounds that it would shorten substantially the time within which the Board could take action on the application.

On the other hand, Mr. Hackley said, there was considerable to be said for a full dress formal public hearing before a hearing examiner
in this case, largely because of the size of the proposed holding company. If the Board was inclined toward such a formal hearing, the Legal Division was prepared to go forward with the obtaining of a hearing examiner and making the other necessary arrangements for such hearing.

In response to a question from Governor Balderston as to whether the additional delay of several months that would result from the holding of a formal hearing would be good or bad, Mr. Hackley said that this question could be answered in both ways. It could be bad in that the Board might be vulnerable to criticism for delay in reaching a decision on an important application, particularly when the application submitted was unusually complete in providing the information needed in reaching a decision and also in the light of the Board's unusual promptness in reaching a decision on the recent Manufacturers Trust-Hanover Bank merger application--an application that had been acted upon and decision announced within less than 3 months from its receipt. The advantage of a formal hearing, on the other hand, was that the public might well expect the Board to order such a hearing in this case, even though not required by law, because of the size of the proposed holding company and despite the delay and expense that would be involved.

Mr. O'Connell said that he had nothing to add to Mr. Hackley's comments regarding the desirability of either an oral presentation or a formal hearing except to note that the New York State authorities had
reached their decision to approve the application without any hearing on it. Since an oral presentation of the kind being discussed had not been utilized previously by the Board in the same way, it could be expected that some problems would arise, but Mr. O'Connell said he did not foresee anything of that sort that would argue against such a presentation.

Mr. Hexter said that, in his opinion, the crucial question was whether the time that would be required in holding a formal hearing would be justified by any gain the Board might obtain from such a proceeding, as contrasted with what it would gain from an oral presentation as outlined. In his judgment, there being so little question as to the facts needed by the Board in reaching a decision, the gain from a formal hearing would be so slight that he felt it probably would not justify the delay that would result. He noted that the recent merger application of Manufacturers Trust-Hanover Bank exceeded the Morgan New York State proposal in terms of dollar assets involved and there also had been more uncertainty in that merger proposal as to the facts; yet, the Board had made and announced its decision without a hearing, and without any material public concern having been expressed regarding the procedure followed.

Governor King commented that he felt handicapped by the lack of a staff memorandum summarizing the factual information regarding the Morgan New York State application. He felt he needed such information to enable him to reach an intelligent decision on the question of procedure.
Governor Mills said he was very much won to the proposal for a presentation before the Board of the type that Mr. Hackley had described, such presentation to be open to the public, with the applicant permitted to make a statement and all adverse elements who wished to do so also given the opportunity to make statements on the application. He felt that other cases had been more protracted in their handling than had been desirable. His suggestion would be to set a time now for such an oral presentation, several weeks in advance of the date for the presentation, and if that were done there would be opportunity for the staff to prepare a memorandum for the use of the Board sufficiently in advance of the presentation to permit the Board to obtain mature understanding of the application, and thus to be prepared to seek additional information that might be desired at the time of the oral presentation.

Governor King said that that would be a reasonable approach although he himself would be in a better position to reach a judgment on the procedure if he had a memorandum from the staff before deciding whether to order either a hearing or an oral presentation. He was inclined to the view that there should be such a hearing or presentation, and he would not object to the procedure suggested by Governor Mills. Nevertheless, his preference would be to defer a decision on procedure until a staff memorandum had been submitted.

Mr. Hackley said that in the past the staff had gone on the assumption that it would be something of a waste of time and also
undesirable for the staff to prepare the usual comprehensive memorandum on a holding company application before a decision was reached on whether a hearing should be held. This was partly because if a hearing were ordered the Board's decision would of necessity be based on the record at the hearing. The staff might, however, submit a memorandum on the Morgan New York State application that would contain sufficient detail to inform the Board of the nature of the proposal. He doubted whether such a memorandum should contain any recommendation as to a possible decision prior to a hearing or an oral presentation. Mr. Hackley also commented, in response to a question from Governor Balderston, that a reply to the telegram from Congressman Patman preferably should make clear the distinction between a formal hearing and an oral presentation, if the Board decided on the latter as the course to be followed.

Governor Mills suggested that a too narrow distinction was being drawn between a formal hearing and an oral presentation before the Board. Presumably the Board could constitute itself to be a hearing body if it wished to do so. The oral presentation suggested would in effect be a hearing before the full Board rather than only before a hearing examiner.

After Mr. O'Connell had commented on the legal differences between a hearing before a hearing examiner and an oral presentation of the type under discussion, Governor Shepardson raised the question as to how much time would be required for preparation of a staff
memorandum giving factual information but not including a recommendation.

Mr. Solomon suggested that a comprehensive memorandum of this sort probably could be prepared in four to six weeks. He assumed the Board would not wish to have staff recommendations on the merits of the case in advance of a hearing or an oral presentation. If such a comprehensive memorandum were prepared and an oral presentation before the Board were held, it might be possible for the staff subsequently to prepare a memorandum analyzing the case and submitting a recommendation to the Board within two or three weeks following the oral presentation.

Governor Shepardson said that in the past considerable point had been made of the need for building a record in the event of judicial review of a decision by the Board. He inquired whether the record that would result from an oral presentation would meet this need.

Mr. Hackley said that, in his opinion, such a record, along with the application, the staff analytical memorandum, and the statement of the Board's decision that would be prepared, while perhaps not as complete factually as the record of a formal hearing, would provide an adequate record. Certainly, it would materially improve the Board's record as compared with a decision arrived at without either a formal hearing or an oral presentation.

Governor Shepardson then said that he agreed completely with the view expressed by Governor Mills as to the procedure that should be
followed, on the assumption that this would produce an adequate record in the event of judicial review of a decision by the Board. He arrived at this position because he felt there were substantial advantages in the oral presentation procedure in terms of the time that would be required to reach a decision.

Mr. Molony then raised the question whether the Board was now in a position to say that the factual information that would be provided at an oral presentation would be sufficient, as compared with evidence that would be obtained in a formal hearing.

Governor Mills stated that, as he understood the proposed procedure, an oral presentation would not preclude the Board from subsequently ordering a formal hearing if it appeared that additional information or evidence was needed before reaching a decision.

Mr. Hexter stated that this was correct. In his view there was no need at this time for the Board to decide whether the Board intended to hold a formal hearing before a hearing examiner. It would be sufficient for the Board to say that it was scheduling an oral presentation, and the Board would be free to hold a hearing later if that seemed necessary or desirable. This had been done in the BancOhio-Hilliard holding company application.

Mr. Hackley commented on the factual information that would be available to the Board from the application and other sources and from
statements that would be submitted at an oral presentation. He noted that in making its decision the Board would review all of this information. If such review showed a need for further factual information, the fact that there had been an oral presentation would not prevent the Board seeking whatever additional information it felt it needed to reach a decision.

Governor King remarked that he thought the oral presentation would be all right, but he believed that the Board should have a comprehensive memorandum of the facts of the case before the oral presentation, even if several weeks were required to prepare such a memorandum.

Governor Balderston noted that the discussion contemplated that the staff might require four weeks or more to prepare a detailed analysis of the factual data but that this would be done and such a memorandum would be available before the oral presentation.

Governor King then said that he would not object to looking into a time when an oral presentation might be held, although he would think it preferable to announce that there would be an oral presentation and to delay setting a date until the staff could determine with some assurance when its factual memorandum could be made available to the Board. For himself, he would wish to have the staff memorandum with full details at least ten days before the oral presentation, even if that meant setting the oral presentation farther in the future.

Governor Balderston said that the consensus seemed to be to order an oral presentation and to publish a notice in the Federal Register at
once. He gathered that the procedure desired was for the staff to consult with the applicant as to a suitable date, preferably some six weeks hence, but that notice of the oral presentation should be published in the Federal Register at once whether or not a date now could be set.

Mr. Hackley stated that while he thought it preferable to include in the notice regarding an oral presentation the time for the proceeding, in the event it was not possible to determine the date promptly there would be no legal objection to publishing such a notice at once with a statement that the date would be fixed later.

There being no indication of disagreement with the procedure outlined by Governor Balderston, it was understood that the staff would proceed to prepare a notice and to take the necessary steps for its publication and for fixing a date for an oral presentation on the Morgan New York State Corporation application.

There then followed a discussion of the steps that would be necessary in determining what portions of the application should be treated as confidential and the time that would be required to make copies of the application available for public inspection.

During this discussion, Mr. Fauver stated that the holding of an oral presentation as discussed at this meeting would represent a different procedure from that determined upon by the Board in ordering
a hearing on the holding company application that had been filed by Bankers Trust Company of New York early in 1961.

Governor Balderston said that he gathered that the Board was agreed that the staff should proceed with preparation of an order for an oral presentation, to be published promptly in the Federal Register, such statement to include the date for the presentation if that could be determined without delay, and there was unanimous agreement that this was an accurate statement of the Board's views.

After several suggestions had been made as to the form of reply to be made to Mr. Patman's telegram regarding the Morgan New York State application, the discussion of this topic concluded with the understanding that there would be prepared for the Board's consideration (1) drafts of an order for such public proceeding and a press release in this connection; and (2) a draft of reply to Mr. Patman's telegram of October 3, 1961, along lines consistent with the foregoing discussion.

Messrs. Shay, Molony, O'Connell, Thompson, and Lyon then withdrew from the meeting.


There had been distributed with a memorandum from the Division of Examinations dated September 28, 1961, a draft report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of National Bank and Trust Company of Ann Arbor, Ann Arbor, Michigan, and Milan State Bank, Milan, Michigan.

In a brief discussion of the report certain suggestions for modification of the conclusion were made and agreed upon. Thereupon, the
The report was approved for transmission to the Comptroller of the Currency in a form containing the following conclusion:

The proposed merger of National Bank and Trust Company of Ann Arbor and the Milan State Bank will not eliminate a significant amount of competition as little exists between the two banks, and should not adversely affect the area's smaller banks.

Request by Wells Fargo Bank American Trust Company. The Secretary reported receipt of a request from Wells Fargo Bank American Trust Company, San Francisco, California, in response to the Board's letter of September 22, for opportunity to make an oral presentation to the Board on its application for permission to merge with The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and to operate branches incident to the merger. He also referred to a request by Wells Fargo for access to reports on competitive factors made to the Board by the Department of Justice and by the other Federal bank supervisory agencies in connection with this application.

The Board agreed that arrangements be made for an oral presentation regarding the application by Wells Fargo before the Board on Wednesday, November 8, 1961. With respect to the request for access to reports on competitive factors, it was understood that the matter would be considered after preparation and distribution of a memorandum on the subject by the Legal Division.

The meeting then adjourned.
Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Acceptance of resignation

Marcia G. Patz, Secretary, Division of International Finance, effective at the close of business September 30, 1961.

Military leave

Ray M. Reeder, Operator, Tabulating Equipment, Division of Administrative Services, granted leave of absence without pay for an anticipated one-year tour of duty with the military forces beginning October 15, 1961, with no payment of unearned salary.

Secretary
CONFIDENTIAL (PR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the incumbents of the positions shown below at the rates indicated, effective October 2, 1961, in accordance with the request contained in your letter of September 25, 1961.

<table>
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<th>Title</th>
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<tr>
<td>Operators</td>
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</tbody>
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Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
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 March 24, 1961, enclosing copies of an application to organize a national bank at Alma, Michigan, 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 Chicago indicates that capital structure will be adequate and prospects for profitable operations appear quite favorable. Management is not altogether satisfactory, for although the directors are able and competent individuals presumably capable of directing the bank, the proposed chief executive officer has had very limited experience in banking. Organization of a national bank in Alma would seem to be in the public interest as there appears to be a definite need for another bank in Alma. 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.
Dear Sir:

This letter refers to the action of the Conference of Presidents, as reported in the memorandum of topics submitted by the Conference dated September 12, 1961, relating to cash agent indemnification agreements. The Board notes that the Conference agreed that, if the Board of Governors continues to feel that the language proposed in its letter of July 27, 1961, should be incorporated in the bank agency agreements, such a course should be followed. In such event, the policy should be for Reserve Banks not to pay any insurance premiums for Cash Agent Banks, and if it should develop as a result of this policy that Reserve Banks are unable to obtain an adequate number of Cash Agent Banks, the policy should be reconsidered.

It is the Board's view that the language proposed in its letter of July 27, 1961, should be incorporated in the bank agency agreements. The Board concurs in the recommended policy not to reimburse Cash Agent Banks for any increase in insurance premiums attributable to the pre-emergency storage of currency. It also concurs in the suggestion that this policy should be reconsidered if a demonstrated need for such reconsideration should develop.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.