

Minutes for October 30, 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
Monday, October 30, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Holland, Adviser, Division of Research and
Statistics
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mrs. Semia, Technical Assistant, Office of
the Secretary
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations

Procedures in merger and holding company cases (Items 1 and 2).

At its meeting on September 28, 1961, the Board discussed the general question of procedures in bank merger and bank holding company cases, on the basis of recommendations in memoranda from the Legal Division dated May 26, 1961, and September 20, 1961. In the light of the discussion at the September 28 meeting, a further memorandum from the Legal Division

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had been distributed under date of October 20. The memorandum was accompanied by a revised draft of a statement of internal procedures.

It was noted in the memorandum that some members of the Board had suggested the desirability of making public at least some of the procedures adopted. An argument against such publication was that the procedures were continuing to evolve and their crystallization in published rules might deprive the Board of flexibility. Favorable arguments included the view that the publication of at least some of the procedures would serve the purpose of informing banks and holding companies of the procedures followed by the Board, which might tend to avoid some of the procedural problems that had arisen in the past. Moreover, there might be sound argument that publication of certain such procedures was legally required by the Administrative Procedure Act. Section 3(a) of that Act requires every agency to publish in the Federal Register "statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal or informal procedures available." It was suggested in the Legal Division's memorandum that if the Board should wish to publish its procedures, at least to the extent that they did not relate to internal details, this might be done by an amendment to the Board's Rules of Procedure. A draft of such an amendment accompanied the memorandum.

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Mr. Hackley began the discussion by reviewing developments in regard to procedures. The bank holding company and bank merger legislation had brought the Board into fields in which it had little experience, and it had been necessary to experiment. This had resulted in a series of procedural changes. Procedural problems should not be regarded as unimportant; it was important to devise definite and workable procedures that would be clear to the public and, at the same time, fair to an applicant and consistent both with the applicant's legal rights and with expeditious handling of an application. It was not easy to balance these considerations, and the procedures suggested in the October 20 memorandum from the Legal Division might not be free from fault. They still involved questions of judgment, and there would certainly be problems in the future.

With regard to the proposed procedures, Mr. Hackley noted that in the simplest type of case there would be no formal hearing or oral presentation. At the opposite extreme was the type of case in which a formal hearing would be held. The holding of a public hearing involved a number of steps--obtaining a hearing examiner, holding the hearing, reviewing the examiner's report--all of which would take place before the case came before the Board for consideration on its merits. The ideal procedure might be to have a formal public hearing on every application, but that would hardly be practicable. The procedures adopted should be adaptable to the circumstances of each case, whether simple or complex.

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The proposed procedures contemplated that if in a given case it seemed possible that the Board would want to have a hearing or an oral presentation, the Division of Examinations would submit a summary memorandum, on the basis of which the Board could decide that particular point. In the past, oral presentations had normally been made after the Board had considered the merits of the case. However, in the pending Morgan New York State Corporation case the Board had decided to schedule an oral presentation before considering the merits of the application. Moreover, whereas in the past oral presentations had not been open to the public, the date for the presentation in the Morgan case had been announced in the Federal Register and interested persons had been invited to apply for permission to be heard at a public proceeding.

One of the most troublesome questions of procedure was whether or not to continue the policy, adopted on July 27, 1961, of affording an opportunity for an oral presentation if the Board was disinclined to approve after giving initial consideration to an application. It had been suggested that if the procedures the Board expected to follow were made public, at least in part, and applicants knew that they could ask for an oral presentation, applicants then would accept more readily a rule that after the Board had considered the merits of the application, the Board would not grant a request for reconsideration unless it was apparent that new facts were involved. The procedure adopted on July 27 was intended primarily to avoid the problem of requests for reconsideration

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after the Board had arrived at its decision, the thought being that it was preferable to afford the applicant an opportunity to present information orally before rather than after the Board acted.

As to recording of votes, the procedures now recommended contemplated that action would be taken when an application was discussed on its merits, and that votes would be recorded only after the Board members present had expressed their views. After the Board made its decision, the Legal Division would draft an order and a statement setting forth the reasons for the Board's action. These would be brought back to the Board, but only for approval as to form and not for reconsideration of the case itself. This practice had been followed heretofore in regard to bank holding company applications; one of the principal innovations in the proposed procedures was the extension of the practice to merger cases.

Under the procedures now suggested, orders would include one new feature--a condition that a merger or stock acquisition not be consummated until 7 calendar days following the date of the Board's order. Also, the condition heretofore included in holding company orders that the transaction be consummated within three months, with opportunity for extension when warranted, would likewise be included in the orders on merger cases. In the case of acquisition of stock of a newly-organized bank, the order would require that the bank be opened for business within 6 months from the date of the Board's action.

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The suggested procedures contemplated that no request for reconsideration would be granted unless the Board believed that significant new facts were involved. In the event of any such reconsideration, any members of the Board present at the time of reconsideration would be entitled to vote whether or not they had been present at the time of the original vote.

Mr. Hackley then distributed tabulations illustrating the steps proposed to be followed in various types of applications.

Mr. Hackley said he felt rather strongly that it would be desirable to publish the main outlines of the procedures adopted by the Board. He commented that Mr. Saxon, who was to become Comptroller of the Currency shortly, had indicated that he expected to issue statements of reasons for his decisions on merger cases and also to hold public hearings on applications.

Chairman Martin remarked that in his opinion the important consideration in the broad sense was the public relations aspect, after which Mr. Molony commented that it was well to look at the fundamentals of the problem. The processing of merger and holding company cases had taken a great deal of the Board's time, which, of course, gave rise to the temptation to adopt procedures that would reduce the work load. However, the basic fact was that in holding company and merger applications the Board exercised the power to grant or deny privileges. Consequently, fairness and impartiality were essential. The public should

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be put on notice that an application had been received, sufficient information should be furnished on which to base a legally relevant objection, and objectors should be given an opportunity to be heard. It was also essential that an announced decision be accompanied by an explanation of the reasons for reaching that decision. In his opinion, the proposed procedures covered these essentials; as a matter of fact, they might be extended to branch bank applications.

Chairman Martin inquired about applying the procedures to branch applications, and Mr. Hackley responded that there would be no logical objection. However, branch applications had not given rise to as many problems as bank holding company and merger applications.

Governor Robertson commented that although there might be no logical reason to distinguish branch applications from holding company and merger cases, there was a practical consideration, in that branch applications were much more numerous and less complex. The Board's work would be multiplied with no great benefit.

Mr. Hexter suggested that "make haste slowly" might be the guiding principle, especially since there had been no great difficulty in the field of branch applications.

Chairman Martin expressed the view that eventually the Board might have to come to that step. Branch applications were not completely without problems; he sometimes received calls about them. On the other hand, the growing work load must not be allowed to obscure the System's

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responsibility for the formulation of monetary policy. However, that was a longer-range problem. At the moment, it was important to the proper discharge of the Board's supervisory responsibilities to adopt procedures that would be as iron-clad as the Board could make them.

Governor Mitchell stated that in his view the Board's basic problem was one of explaining its decisions to the public adequately. If the Board could give the public understandable and consistent reasons for its decisions, he felt that the procedural problems would tend to disappear.

After some discussion in the light of this comment, Chairman Martin called on the members of the Board for their views regarding the proposed procedures.

Governor Mills stated that he believed the Board could profitably adopt the procedures proposed. However, since difficulty had been experienced in the approach to bank holding company and merger cases, it might be well to get some experience under the proposed procedures before announcing them. In any event, there should be no indication that at an advanced stage of the consideration of an application the applicant would be invited to furnish additional facts. Such an indication would be an admission of weakness within the Board's organization and also would imply that the Board was indecisive.

Governor Mills also said that he had some doubt about publishing votes on merger cases in addition to holding company cases. In time the

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attitude of individual members of the Board toward such cases would become known to the public, and applicants might slant their arguments toward any particular Board member who was known to have taken a certain position over a period of time.

Governor Mills further stated that it seemed to him that if there was an inclination on the part of a minority of the Board to deny an application, the majority opinion should stand and there should be a decision. Conversely, if the Board was prepared to deny an application by almost unanimous action, he questioned whether the applicant should be asked for further information.

After further comments, it was decided that the procedures recommended in Mr. Hackley's memorandum of October 20, 1961, should be taken up in order. During the ensuing discussion, the principal question of a controversial nature related to when, and in what circumstances, the Board would afford an opportunity for a hearing or an oral presentation.

Governor Robertson stated that in his view it would be desirable for the whole package to be wrapped up before the Board came to a conclusion, tentative or otherwise, in any particular case. If the applicant wanted an oral presentation, that request should be made immediately. Such a procedure, however, would not preclude the Board from scheduling a presentation at a later time if it so desired. He believed that this would reduce the number of requests for oral presentations. Also, it

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would get away from the idea that the only time a presentation would be scheduled was when the Board was about to deny an application.

Governor Shepardson expressed the view that the practice of offering an opportunity for oral presentation only when the Board was inclined toward an adverse decision was unsound. He thought there should be an understanding that the Board would grant an oral presentation if the applicant requested one at the outset of the case.

Mr. Hexter observed that most applicants, advised by their counsel, probably would request an oral presentation if they knew that the request would be granted. Ideally, there should perhaps be a hearing before a hearing examiner on each application and later an oral presentation before the Board, but as a practical matter the Board must consider the demands on its time.

Governor Shepardson then commented that even if, as Mr. Hexter suggested, most applicants would ask for an oral presentation if they knew such a request would be granted, the Board and its staff perhaps would spend less time, over all, than was now spent in the consideration of many cases.

Governor Robertson remarked that, although he agreed generally with Governor Shepardson's view, he did not think that the Board should commit itself to hearing an oral presentation in every case. He suggested that the language of the proposed procedures be changed to make provision for an oral presentation "before the Board or its designated representative",

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his thought being that there would be no reason for the Board to take the time to hear every presentation if the purpose was to complete the record and all of the members received a transcript of the oral presentation.

Governor King raised the question whether anyone could present information orally better than in writing. In his view, a case could be presented better in writing; essentially, the principal thing an oral presentation might be expected to contribute was the personality factor.

Governor Shepardson expressed agreement with Governor King's point as far as factual information was concerned. However, he believed that from the public relations standpoint there was justification for oral presentations. Applicants were likely to feel that if they could see the people who were passing on their application, they would have had a better chance to present their case.

Chairman Martin agreed that this was a basic consideration. That was what bothered him about the idea of having a designated representative of the Board hear a presentation. To meet the public relations problem, it seemed almost necessary for the Board itself to hear the presentation. From the viewpoint of a person on the outside, the opportunity to present his case personally was a basic element.

Mr. Hackley expressed the view that if the published procedures included an indication that an oral presentation would be afforded if desired, many such presentations would be requested that were not necessary. In the past, although there had been a number of presentations,

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they had been relatively few in relation to the total number of cases considered. He wondered if the question of holding an oral presentation could not be decided on the basis of the summary memorandum from the Division of Examinations, the submission of which was called for in controversial cases under the proposed internal procedures.

Governor Mitchell asked what facts could be obtained through an oral presentation that could not be obtained in writing, to which Mr. Hackley responded that the interpretation of facts was involved. Governor Mitchell questioned whether an applicant could interpret facts by word of mouth better than in writing, and Mr. Hackley replied that in some cases he thought applicants could do so. An alternative might be to furnish the applicant with copies of any objections received, from the Department of Justice and others, and afford an opportunity to submit rebuttals.

Governor Mills observed that oral presentations provided the Board members an opportunity to ask questions, after which Governor King remarked that in his view the opportunity to ask questions was not of too much benefit. He had had questions in certain cases, but the staff could have obtained the answers for him.

Mr. Solomon called attention to the fact that in some cases Board members had changed their positions after hearing an oral presentation, thus providing evidence that such presentations sometimes exerted an influence.

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Governor Balderston stated that oral presentations had seemed valuable to him. If an applicant could not reach the Governmental agency considering his case, the agency was likely to be charged with being bureaucratic. The Board was dealing not with facts alone, but also with people's feelings and attitudes.

Mr. Hackley remarked that when a case was close, or there were objectors, or the Department of Justice had expressed adverse views, an oral presentation provided the Board's only opportunity to hear both sides of the case. That had been the basis for the recommendation that in a controversial case, at the outset and before consideration on the merits, the Board consider whether or not it wished to have an oral presentation.

Governor Mitchell expressed the view that it was the duty of the Division of Examinations and Federal Reserve Banks to get the facts of a case for the Board. He did not believe that the Board should depend upon oral presentations except to the extent that they could contribute to the solution of the problem. Basically, the facts developed by the System itself were the ones on which his judgment would be based.

Chairman Martin then suggested that, since the Board members did not appear ready to arrive at a decision in regard to when and under what circumstances oral presentations should be allowed, the Board pass over that part of the proposed procedures and go on to the others.

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In the ensuing discussion, one of the principal points commented upon was the proposal that following the Board's action on an application, the Legal Division would prepare an order and statement of reasons reflecting that decision and, if desired, a statement in support of any dissenting votes.

It was recalled that in earlier discussions there had been some suggestion that the staff might prepare alternative drafts of an order and statement in each case--one for approval and one for disapproval. In the discussion today, it was noted that inability to give the Board's reasons for its decision to the public promptly had proved awkward in the Manufacturers Trust-Hanover merger. On the other hand, the disadvantages of the drafting of alternative statements in advance of Board consideration of a case also were pointed out. Aside from the extra burden on staff resources, the advance drafts might not be able to anticipate fully the reasoning that would be developed from consideration of the application by the Board and there might be some implication of a shifting of responsibility from the Board to the staff.

There was also discussion of the possibility of reopening a case when the order and statement were brought before the Board, one member of the Board expressing the thought that in a close case the way in which the statement was set up might make him see the case in a different light. It was agreed generally that there was no reason why

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a Board member might not ask to have a case reopened, although it was hoped that such situations might be rare. It was suggested that the possibility might be lessened through the scheduling of controversial cases in such manner as to have as many Board members as possible participate in the decision, within the limitations imposed by avoidance of undue delay.

Comments were also made in regard to the provision that a decision would be reached when the case was considered on its merits, with the order and statement being authorized for issuance some days later. In the eyes of the public, it might appear that the decision was made on the date when the order and statement were released, and a Board member who was present on that day but had not been present when the decision was made would be placed in the position of having no voice in the decision. The response was made that the Legal Division felt that the decision was made when the votes were taken, and the step taken in authorizing issuance of the order and statement was more in the nature of a formality; this general procedure, it was noted, had been followed by the courts for many years.

There followed discussion on the portion of the suggested Procedures relating to release of reports on competitive factors in merger cases. The suggestion was made that it might be advisable to make no reference in the rules to a general Board procedure, and instead to handle such questions on an ad hoc basis. Agreement was expressed with this suggestion.

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The discussion then reverted to the question of when oral presentations would be ordered. There continuing to be various opinions expressed, the suggestion was made that the Board might want to adopt a paragraph set forth in the possible amendment to the Rules of Procedure. This paragraph stated that in any case in which a formal hearing was not ordered by the Board, the Board might afford the applicant and other properly interested persons (including Governmental agencies) an opportunity to present oral views before the Board. Any such oral presentation would be public unless otherwise ordered by the Board, and notice of the proceeding would be published in the Federal Register. Participants would be allotted reasonable periods of time for presentation of their views.

Chairman Martin stated that he would be willing to adopt not only this paragraph but the proposed amendment to the Rules of Procedure in entirety. There was general agreement on such adoption and as to the prompt publication of the amendment.

Further discussion of the proposed amendment to the Rules of Procedure resulted in agreement on several changes of a relatively minor nature. One change was in the statement as to the exceptional circumstances in which the Board might grant requests for reconsideration of its action on an application. A second change was made to specify that the Board reserved the right to order oral presentations before either the Board or a designated representative.

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Accordingly, the proposed amendment to the Board's Rules of Procedure was approved unanimously subject to the changes that had been agreed upon, effective November 1, 1961. A copy of the amendment in the form in which it was subsequently published in the Federal Register is attached as Item No. 1.

In addition to approval of the amendment to the Rules of Procedure, the Board approved, in the light of the foregoing discussion, a statement of internal procedures, for use and guidance within the Board's organization, with respect to holding company and merger applications. A copy of the statement, in the form in which it was approved and distributed to appropriate persons within the Board's organization under date of November 1, 1961, is attached as Item No. 2.

Mr. Thompson withdrew from the meeting at this point.

Revision of Rules of Organization and Rules of Procedure.

Consideration was given to the over-all revision of the Board's Rules of Organization and Rules of Procedure. At its meeting on September 28, 1961, on the basis of a memorandum from the Legal Division dated August 10, 1961, the Board had considered the proposed revision of these rules and had reached agreement on all points except the rules relating to disclosure of unpublished information.

It was pointed out in the August 10 memorandum, and by Mr. Hackley at the September 28 meeting of the Board, that the only changes

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suggested in the section on unpublished information were the inclusion in the section as to disclosure of information to Government agencies of a specific reference to the Department of Justice, and to make somewhat more flexible the present absolute prohibition against disclosure of confidential information to persons other than Government agencies, so that certain information might be disclosed if the Board should determine that that disclosure clearly would be in the public interest.

Governor Mills spoke of the practice that the Board had followed in releasing certain examination reports for use by the Department of Justice in developing leads but not for use in evidence. In his view, the word "leads" was nebulous, and the furnishing of such reports had put the Board in the position of disclosing information that should be kept confidential between a bank and its customer.

Mr. Hackley commented that the need for confidential treatment of the examination reports must be weighed against the needs of the public interest that might be served by making such reports available to the Department of Justice.

Mr. Hexter stated that his basic feeling was that the Department of Justice was part of the Federal Government, and that the traditional reason for keeping examination reports confidential was to prevent the information in them from being misused by competitors.

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He believed the Board must assume that the Department of Justice would not misuse the information.

Mr. O'Connell concurred with the views expressed by Messrs. Hackley and Hexter.

Governor Mills recalled the problem that the Board had had to deal with in regard to making examination reports of the North Shore Bank, Miami Beach, Florida, available to the Department of Justice.

Mr. Solomon agreed that that had presented a difficult situation, but he thought it could be assumed that there would be few such cases. On balance, it seemed appropriate to him that reports of examination be made available to the Department of Justice.

Mr. Hackley observed that neither the present nor the proposed rules said that the Board would make the reports available in all cases. The only change from the present rules would be to mention the Department of Justice specifically, thus making the public more aware that information might be furnished to that Department.

After further discussion the meeting recessed and reconvened at 2:30 p.m. The attendance was the same as at the morning session except that Mr. Chase, Assistant General Counsel, attended the afternoon session, whereas Messrs. Shay, Noyes, Hooff, Holland, and Hostrup did not return to the meeting.

Upon resumption of the discussion of the revision of the Board's Rules of Organization and Procedure, Mr. Hackley stated that he had now

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come to the conclusion that it would be well to omit specific reference to the Department of Justice in the section on disclosure of unpublished information, thus retaining the status quo.

Mr. Hexter added the comment that there was reason for mentioning the Comptroller of the Currency and the Federal Deposit Insurance Corporation, which were coordinate bank supervisory authorities, but there was no more logic, perhaps, in singling out the Department of Justice than other agencies. The term "certain other agencies of the United States" would cover any situation that might arise in regard to an agency other than the bank supervisory authorities.

Governor Mills commented to the effect that he would be much better satisfied if this change were made. Each request from the Department of Justice would come to the Board for consideration, and he would have an opportunity to state his position.

Mr. Hackley then referred to the remaining unresolved question in connection with the Rules of Procedure, namely, a possible relaxation of the absolute rule against disclosure of unpublished information without specific Board authorization. The Legal Division had originally suggested that the purpose could be accomplished by an internal document. However, it had been suggested at the September 28 meeting that language might be added to the Rules of Procedure themselves that would include authority for disclosure of certain unpublished economic information. Such language had been drafted and was set forth in the

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October 25 memorandum. The draft language would place considerable reliance on the judgment of the officer or employee involved, but he did not see how that could be avoided.

Governor Mills commented that, while the proposal would not overturn any practices now followed, in his opinion it would open the door wide to granting special favors if the exception were put in writing. That was the only concern he would have.

Mr. Hackley responded that it had been the original thought that it might be difficult, and perhaps dangerous, to spell out in the Rules themselves the circumstances under which unpublished information might be disclosed. It had been thought that these circumstances might preferably be included in an internal document that would be distributed within the Board and the Federal Reserve Banks. Such a document, a draft of which was submitted with the August 10 memorandum, could be changed from time to time more easily than the rules themselves could be changed.

Governor Robertson expressed agreement with the suggested language, and with the proposed internal document, after which Governor Shepardson remarked that the proposal seemed to him to be a desirable one and to conform to what was already being done.

Governor King observed that discretion was already being exercised. This might worry some people a little, but it did not bother him. In his view the statement was about the best that could

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be done, but he thought it provided for a distribution of authority too far down the line and might be regarded as providing more latitude than was presently allowed. He did not think that that would be a good thing, and he felt that the situation might get out of hand. As he saw it, no great harm was being done at present, and he would prefer not to go further.

Governor Mitchell inquired whether the term "appropriate person" was intended to include corporations or institutions, and an affirmative reply was made. He then expressed the view that the proposed statement was superior to the present rule and stated that he would endorse it.

Governor Balderston expressed approval of the proposed language, and Chairman Martin stated that he thought it was an improvement.

During further discussion various textual changes of a relatively minor nature in the draft Rules of Organization and Procedure and in the proposed internal document regarding authorizations for disclosure of unpublished information were agreed upon. The first change, resulting from a suggestion by Governor Robertson, eliminated from the internal document certain language that might seem to state the policy of future Boards of Governors and introduce an element of inflexibility. Another change, resulting from a suggestion by Governor Mills, provided for the possibility of withholding certain portions of an application under the Bank Holding Company Act in cases where the Board had ordered a public

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hearing. Another change, in the Rules of Organization, developed from discussion concerning the section pertaining to delegations of final authority.

Mr. Hackley stated that the proposed Rules of Practice for Formal Hearings had been sent to Counsel of the Federal Reserve Banks for comment, pursuant to the understanding at the meeting on September 28, 1961. A few suggestions had been received, but none of substance. In the circumstances, he suggested that the changes be incorporated in the Rules, and it was agreed that this would be done.

Thereupon, the proposed revision of the Rules of Organization and Procedure was approved for publication, subject to the incorporation of the changes agreed upon at this meeting. Also, the document containing authorizations for the disclosure of unpublished information of the Board was approved for distribution as an internal document within the Federal Reserve System, likewise subject to incorporation of the changes agreed upon at this meeting. For the reasons he had stated, Governor King would have preferred to omit from the Rules of Procedure the exception to the provision requiring that no unpublished information be disclosed to anyone without authorization of the Board. This meant that he did not favor the distribution of the internal document containing authorizations for the disclosure of unpublished information.

Payment for savings bond luncheons (Item No. 3). Mr. Sherman reported that a telephone call had been received from the Treasury

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Department inquiring if the Federal Reserve Banks would absorb the expense of luncheons to be held in 27, or possibly 29, cities in connection with the forthcoming United States savings bond drive. Private sponsors had been found for luncheons in a number of other cities, but in these 27 or 29 cities, of which 19 were Federal Reserve Bank or branch cities, no private sponsors had been found. In connection with the savings bond drive two years ago the Federal Reserve Banks had paid for luncheons in 26 cities, many of which were the same cities involved in the present request. The expense of those luncheons, \$29,220, was reported in the Board's Annual Report for 1960.

Chairman Martin commented that this had been a recurring question. There was a problem in finding a modus operandi for not acceding. In his opinion, if it was thought that the luncheons had value as part of the savings bond program, the System should give the help requested, so long as the facts were disclosed in the Board's Annual Report.

Governor Shepardson remarked that, since the cities involved apparently were essentially the same as the ones in which the Treasury had failed to get private support for the luncheons in the past, he wondered if the fact that the Federal Reserve had picked up the check might have been a factor that impeded the Treasury's efforts to get private support.

Chairman Martin agreed that Governor Shepardson's point was a good one; however, he thought that the System ought not be in the position

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of being unwilling to help the savings bond program whenever it could. The System could hardly endeavor to tell the Treasury how to administer the program, which was that Department's responsibility.

Governor King commented that in effect the Treasury would get the money eventually anyway. In his opinion, it would be a mistake for the Federal Reserve to change its policy abruptly; he would be agreeable to doing again whatever had been done in support of the 1959 drive.

Governor Robertson recalled that the last time the question came up the Board had taken the position that it would not object to the payment for the luncheons that time, but that it should be suggested to the Treasury that thereafter it should make other arrangements. He would suggest leaving the matter on the basis that the Chairman would talk with the Secretary of the Treasury, indicating that the absorption of the cost of the luncheons was something that the Federal Reserve probably should not be doing. Therefore, if the Treasury had funds available from any source, it should use them and the Federal Reserve should drop out of the picture as of now. However, if the Treasury could not finance the forthcoming luncheons, the System would pay for them, but not in future cases.

Governor Mills remarked that the Treasury's reply to such representations had always been to point out the great amount of free advertising it received for the savings bond campaigns from private businesses. Therefore, it was difficult for the administrators of the

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savings bond program to see why the Federal Reserve Banks could not make contributions for the same purpose. The Board, he recalled, had at times in the past taken an adverse position and then reversed itself.

After further discussion it was agreed that the Reserve Banks would be authorized, in connection with the forthcoming drive, to pay for savings bond luncheons in their districts for which private sponsors had not been found, and that, with respect to future practice, Chairman Martin would discuss the subject with the Secretary of the Treasury along the general lines suggested by Governor Robertson. It was understood that a statement of the expenses paid by the Reserve Banks would be included in the Board's Annual Report. A copy of the telegram sent to the Reserve Bank Presidents on this matter is attached as Item No. 3.

Governor King qualified his vote on this action by stating that he believed the amount paid by the Federal Reserve Banks for this purpose should not exceed the amount that had been paid for luncheons in connection with the previous drive.

Request regarding Morgan New York State oral presentation. Mr. O'Connell reported that the Federal Reserve Bank of New York had been asked by a writer for the New York Herald Tribune for the names of persons who were to appear at the oral presentation scheduled for December 7, 1961, in the matter of Morgan New York State Corporation. Mr. O'Connell inquired whether it would be the Board's thought that he should tell the New York Bank that the information requested would be

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available after the November 13 cut-off date for requests to appear at the oral presentation.

Governor Mills asked if there might be reasons for withholding, even after November 13, the names of persons who had sought an appearance. He suggested that making their names public might be likened to inviting a tampering with witnesses before a court; those who were to appear conceivably could be brought under pressure. He had real doubts about disclosing the names.

Chairman Martin expressed the view that it would be difficult to avoid giving the names of persons who had been accorded an opportunity to appear--a fact that must be realized by those persons when they made their requests.

Governor King stated that in his opinion this was a burden the individual must bear; it was not the Board's responsibility to see that those who were to appear were insulated from persons who held opposing views.

Chairman Martin remarked that the knowledge that a certain person would appear could have a bearing on whether or not other persons would wish to be heard.

After further discussion it was agreed, Governor Mills' reservations having been noted, that Mr. O'Connell would inform the New York Bank that as of November 13, 1961, the Board would make available the list of persons who had requested and had been granted an appearance as

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of that date, without precluding the Board from granting an appearance to others after that date if it saw fit.

All of the members of the staff except Messrs. Sherman and Fauver then withdrew from the meeting.

Director appointments. The following actions were taken with respect to the appointment of Chairmen, Deputy Chairmen, and Class C directors at Federal Reserve Banks and the appointment of directors at Federal Reserve Bank branches, with the understanding that the timing of advice of the appointments would be determined by Chairman Martin and that public announcement would be made near the end of the year in accordance with the usual practice:

The following were reappointed as Class C directors of the Federal Reserve Banks indicated, each for a three-year term beginning January 1, 1962:

<u>Name</u>	<u>Bank</u>
Erwin D. Canham	Boston
James DeCamp Wise	New York
Edwin Hyde	Richmond
Robert P. Briggs	Chicago
John H. Warden	Minneapolis

The following were reappointed as directors of the Federal Reserve Bank branches indicated, each for a three-year term beginning January 1, 1962:

<u>Name</u>	<u>Branch</u>
Whitworth Ferguson	Buffalo
William A. Steele	Pittsburgh
J. T. Menzies, Jr.	Baltimore
Clarence P. Street	Charlotte

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<u>Name</u>	<u>Branch</u>
Harry T. Vaughn	Jacksonville
V. S. Johnson, Jr.	Nashville
Gerald L. Andrus <u>1/</u>	New Orleans
Waldo E. Tiller	Little Rock
Frank Lee Wesson	Memphis
Dysart E. Holcomb	El Paso

The following were reappointed as directors of the Federal Reserve Bank branches indicated, each for a two-year term beginning January 1, 1962:

<u>Name</u>	<u>Branch</u>
John M. Otten	Helena
Robert T. Person	Denver
James E. Allison	Oklahoma City
Robert J. Cannon	Los Angeles
Graham John Barbey	Portland
Howard W. Price	Salt Lake City
Henry N. Anderson	Seattle

The following were designated as Chairmen and Federal Reserve Agents of the Federal Reserve Banks indicated for the year 1962, with compensation fixed at an amount equal to the fees that would be payable to any other director of the same Bank for equivalent time and attendance to official business:

<u>Name</u>	<u>Bank</u>
Nils Y. Wessell	Boston
Philip D. Reed	New York
Alonzo G. Decker, Jr.	Richmond
Robert P. Briggs	Chicago
Pierre B. McBride	St. Louis
Atherton Bean	Minneapolis
Robert O. Anderson	Dallas
F. B. Whitman	San Francisco

1/ It was subsequently ascertained that Mr. Andrus would not be able to accept the appointment.

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The following were appointed as Deputy Chairmen of the Federal Reserve Banks indicated for the year 1962:

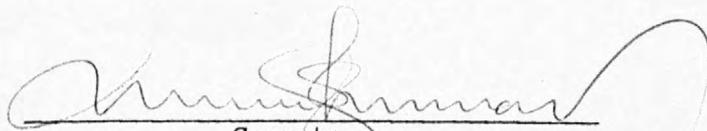
<u>Name</u>	<u>Bank</u>
Erwin D. Canham	Boston
James DeCamp Wise	New York
Joseph H. Thompson	Cleveland
Edwin Hyde	Richmond
Henry G. Chalkley, Jr.	Atlanta
James H. Hilton	Chicago
Judson Bemis	Minneapolis

Walter E. Hoadley, currently Deputy Chairman, was designated as Chairman and Federal Reserve Agent of the Federal Reserve Bank of Philadelphia for the year 1962, with compensation fixed at an amount equal to the fees that would be payable to any other director of the Bank for equivalent time and attendance to official business.

Chairman Martin was authorized to ascertain whether William Beverly Murphy, President of the Campbell Soup Company, would accept appointment as Class C director of the Federal Reserve Bank of Philadelphia for the three-year term beginning January 1, 1962, with the understanding that if Mr. Murphy would accept, the appointment would be made. (It was subsequently ascertained that Mr. Murphy would not be able to accept the appointment.)

Joseph B. Hall, President of The Kroger Co., Cincinnati, Ohio, was appointed as a Class C director of the Federal Reserve Bank of Cleveland for the three-year term beginning January 1, 1962, and was designated as Chairman and Federal Reserve Agent of the Cleveland Bank for the year 1962, with compensation fixed at an amount equal to the fees that would be payable to any other director of the Bank for equivalent time and attendance to official business.

The meeting then adjourned.


Secretary

TITLE 12 - BANKS AND BANKING

Item No. 1
10/30/61

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

PART 262 - RULES OF PROCEDURE

1. Effective November 1, 1961, Part 262 is amended by adding the following new subparagraph (g) to § 262.4:

§ 262.4 Action on applications or requests, and similar matters.

* * * * *

(g) Bank holding company and merger applications. In addition to procedures applicable under other provisions of this Part, the following procedures are applicable in connection with the Board's consideration of applications under section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842), hereafter called holding company applications, and of applications under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828), hereafter called merger applications. Unless otherwise indicated, these procedures apply to both types of applications.

(1) The Board issues each week a list that identifies holding company and merger applications received during the preceding week. Notice of receipt of each holding company application is published in the Federal Register as provided in section 222.4(e)(2) of Part 222 of this Chapter [Regulation Y].

(2) If a hearing is required by law or if the Board determines that a hearing for the purpose of taking evidence is desirable, the Board will issue an order for such a hearing, and notice thereof will

be published in the Federal Register. Any such hearing will be conducted by a hearing examiner or hearing officer in accordance with the Board's Rules of Practice for Formal Hearings (Part 263) and, unless otherwise ordered by the Board, shall be public.

(3) In any case in which a formal hearing is not ordered by the Board, the Board may afford the applicant and other properly interested persons (including Governmental agencies) an opportunity to present views orally before the Board or its designated representative. Unless otherwise ordered by the Board, any such oral presentation of views shall be public and notice of such public proceeding will be published in the Federal Register. Participants in any oral presentation of views will be allotted reasonable periods of time for presentation of their views.

(4) The Board's action on each application is embodied in an Order that indicates the voting of members of the Board and is accompanied by a Statement of the reasons for the Board's action. Both the Order and accompanying Statement are released to the press. Normally, the Statement is issued at the time of issuance of the Order; where this is not practicable, the Statement is issued as promptly as possible after issuance of the Order. Each such Order is published in the Federal Register; and the Order and Statement are published in the next succeeding issue of the Federal Reserve Bulletin.

(5) Each Order of the Board approving an application includes, as a condition of such approval, a requirement that the transaction approved shall not be consummated within seven calendar days following

the date of such Order, except in emergency or other situations as to which the Board determines that such a requirement would not be in the public interest. Each Order approving an application also includes, as a condition of approval, a requirement that the transaction approved shall be consummated within three months and, in the case of acquisition by a holding company of stock of a newly organized bank, a requirement that such bank shall be opened for business within six months.

(6) After action by the Board on an application, the Board will not grant any request for reconsideration of its action, unless the request presents relevant facts that, for good cause shown, were not previously presented to the Board, or unless it otherwise appears to the Board that reconsideration would be appropriate.

2a. The purpose of this amendment is to inform the public of procedures followed by the Board of Governors of the Federal Reserve System with respect to applications under section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and of applications under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828).

b. Notice, public participation, and deferred effective date are not required by section 4 of the Administrative Procedure Act for rules of agency procedure or practice, and therefore were not provided in connection with the adoption of these amendments.

[Sec. 11(i), 38 Stat. 262; 12 U.S.C. 248(i)]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

November 1, 1961.

INTERNAL BOARD PROCEDURES WITH RESPECT TO
HOLDING COMPANY AND MERGER APPLICATIONS

In addition to the procedures described in the published amendment to the Board's Rules of Procedure, effective November 1, 1961, the internal procedures described below are followed by the Board of Governors in its consideration of applications for approval of transactions under section 3 of the Bank Holding Company Act and of applications for consent to bank mergers under section 18(c) of the Federal Deposit Insurance Act. These procedures apply to both types of applications unless otherwise indicated.

1. Summary Memoranda in Certain Cases. -- In any case in which it appears to the Board's staff that the Board may wish to consider whether (1) to order a hearing or (2) to afford the applicant and interested persons an opportunity to present oral views before the Board, the staff will submit the matter to the Board with a summary memorandum regarding the facts of the case and the nature of any adverse views. Normally, such a summary memorandum will be submitted in cases in which it appears that the facts are uncertain or inadequate or in which significant adverse views have been submitted by interested persons (including Government agencies).

2. Staff Memoranda. - As to each application, the Division of Examinations will submit to the Board a comprehensive memorandum analyzing the facts and setting forth the views and recommendation of the Division; and the Legal Division will submit such memorandum as may be appropriate in the light of legal questions involved. In any case in which a formal hearing is held, such staff memoranda will not be submitted to the Board until the hearing has been concluded, the Hearing Officer's report and all briefs have been filed, and oral argument, if any, has been heard by the Board. In any case in which no hearing is held but in which the Board schedules an oral presentation of views before the Board, the Division of Examinations will submit a comprehensive memorandum prior to the oral presentation; and, if necessary, will submit a supplemental memorandum subsequent to such presentation.

3. Consideration of the Merits. - Following submission of the staff memoranda referred to in Paragraph 2, and following any hearing or oral presentation of views, the Board will consider the merits of the case. The staff will present the case orally, and the members of the Board will then express their views, after which votes will be taken and recorded.

4. Drafts of Order and Proposed Statements. - (a) Following the Board's action on an application, the Legal Division will prepare an Order reflecting such action and, in consultation with the Division of Examinations, will prepare a draft of a proposed Statement setting

forth the reasons for such action. The Legal Division will also prepare, if desired, a draft of a Statement reflecting any dissenting views that may have been expressed. Such Order and Statements will be considered for approval by the Board at a subsequent meeting. They will be dated as of the date of such consideration even though the Board's action was taken at a previous meeting.

(b) Such Statements will follow generally the form of Statements heretofore issued in holding company cases. In merger cases, the Statement will end with a summary of the basis for approval, and such summary (rather than the entire Statement) will be published in the next Annual Report of the Board as required by the Bank Merger Act. Statements in merger cases ordinarily will not incorporate the views of other Federal banking agencies or of the Department of Justice as to the competitive effects of the merger, although the Board's Order will indicate that such views have been considered.

5. Participation by Board Members. - Votes of Board members will be recorded as of the meeting at which the merits of an application are considered and decided. Any members present at the subsequent meeting when the form of the Order and Statement is considered may comment thereon, but no votes with respect to action on the application will be recorded at that time. If the Board's action on an application should later be reconsidered by the Board, participation in such reconsideration will not be limited to those members of the Board who may

have participated in the previous action. However, the Secretary will endeavor to schedule potentially close or more controversial cases for consideration at meetings of the Board at which a maximum number of Board members are expected to be present, unless such scheduling will result in unreasonable delay.

6. Release of Views Submitted to the Board. - The Board will not make available to the applicant or any other person any views submitted to the Board with respect to an application, except as required by law, or except as such views may be introduced in the record of any formal public hearing ordered by the Board, or except as the person submitting such views may have authorized their release to the public or to the applicant or other person requesting access thereto.

T E L E G R A M
LEASED WIRE SERVICEItem No. 3
10/30/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 3, 1961

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Board has received inquiry from Treasury as to whether regional offices of the savings bond division might approach individual Federal Reserve Banks with requests that the latter pay the costs of certain luncheons planned mainly for December and January this winter to stimulate savings bond sales. Treasury reports that private sponsors have been obtained in a number of cities but that in 27 cities in which it is hoped such lunches may be given, including 19 Reserve Bank or branch cities, they have not succeeded in getting private sponsors.

Board feels that this would not be an appropriate time to take a position differing from that taken in the fall of 1959 with respect to assistance by the Federal Reserve in the savings bond program. (See Board's letter of December 8, 1959.) At that time, after discussion with the Reserve Bank Presidents, the Board informed Treasury that it was authorizing the Reserve Banks to pay for one such luncheon in each of 26 cities, and it also expressed to the Treasury the view that while it would be undesirable for Reserve Bank Presidents to serve as co-chairmen or members of regional campaign committees, they would be glad to assist in arranging programs.

Board is now informing Treasury of similar attitude with respect to 27 cities listed by Treasury for luncheons to be scheduled later this year or early in 1962, with the understanding that selection of cities in any Reserve District will be a matter for decision by the Reserve Bank concerned. Board will, of course, report costs of such expenditures by the Reserve Banks in manner reported on page 104 of Board's 47th Annual Report.

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 3, 1961

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Names of 27 cities listed by Treasury as ones for which assistance is being sought will be mailed to you today.

SHERMAN

A handwritten signature in black ink, consisting of a large, stylized letter 'S' with a vertical line extending upwards from the top right of the 'S'.