

Minutes of the Board of Governors of the Federal Reserve System on
Wednesday, November 15, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Furth, Adviser, Division of International
Finance
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Potter, Senior Attorney
Mr. Veenstra, Technical Assistant, Division
of Bank Operations
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations
Mr. Poundstone, Review Examiner, Division of
Examinations
Mr. Smith, Assistant Review Examiner, Division
of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on November 13, 1961, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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Acquisition of property at Jacksonville Branch (Item No. 1).

There had been circulated a memorandum from the Division of Bank Operations dated November 2, 1961, relating to a request from the Federal Reserve Bank of Atlanta for Board approval to enter into a lease-purchase arrangement for certain property adjoining the Jacksonville Branch. On December 20, 1960, the Board had authorized the Reserve Bank to offer \$175,000 for clear title to the property, or up to \$200,000 if necessary. The present request covered a counter proposal to the Bank's offer of \$175,000.

Under the counter proposal the Reserve Bank would enter into a long-term lease with an option to purchase the property after two years at a price of \$200,000. During the two-year period the Reserve Bank would receive the rental income produced by the property and assume the carrying costs of the property, with a resulting net expense to the Bank of approximately \$14,000. In effect, the Board was being requested to approve an estimated additional expenditure of approximately \$14,000 over the \$200,000 previously authorized in order for the Reserve Bank to acquire title to the property, assuming the option to purchase was exercised as soon as possible.

Attached to the memorandum was a draft of letter that would approve acceptance of the proposal for acquisition of the property.

After discussion, during which Messrs. Farrell and Daniels reviewed the nature of the proposal and replied to several questions

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concerning it, the letter was approved unanimously. A copy is attached as Item No. 1.

Mr. Daniels then withdrew from the meeting.

Items distributed to the Board. The following items, which had been distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, approving the organization of a corporation under section 25(a) of the Federal Reserve Act to be known as "Continental International Finance Corporation," with offices at 231 South LaSalle Street, Chicago, Illinois, and transmitting a preliminary permit.	2
Letter to Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, approving the organization of a corporation under section 25(a) of the Federal Reserve Act to be known as "Continental International Banking Corporation," with offices at 71 Broadway, New York, New York, and transmitting a preliminary permit.	3
Order and statement approving the application of Montana Shares, Incorporated, Great Falls, Montana, to acquire additional shares of First State Bank of Chinook, Chinook, Montana.	4 and 5

With reference to Item No. 3, involving the organization of an Edge Act banking corporation, Mr. Goodman stated reasons why there would appear to be no substantial objection to the location of the corporation, at least in its initial stages of development, in the quarters of the New York Representative Office of Continental Illinois National Bank and Trust

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Company of Chicago at 71 Broadway, New York City. He pointed out, however, that the letter to Continental Illinois approving the application would specify that the preliminary permit had been issued with the understanding that, upon the granting of a final permit and the commencement of business by Continental International Banking Corporation, the foreign exchange trading activities of the parent bank in New York would be transferred to that corporation.

Messrs. O'Connell, Furth, Goodman, Potter, Thompson, Poundstone, and Smith then withdrew from the meeting.

Report on competitive factors (Huntington-Sag Harbor, New York).

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of Security National Bank of Long Island, Huntington, New York, and The Peconic Bank, Sag Harbor, New York, had been distributed under date of November 3, 1961. The report concluded as follows:

Because of location and the distances between offices of the consolidating banks, there is no competition between them. The proposed consolidation would have virtually no effect on competition in Nassau County and there would be little, if any, effect on the over-all competitive situation in Suffolk County. In the central portion of the South Fork of Long Island, the area in which Peconic competes, competition would probably be intensified. It is believed that the competitive strength of the larger bank, however, would not have a serious adverse effect on the competitive position of the remaining banks in the Sag Harbor area.

After a brief discussion, the report was approved unanimously for transmittal to the Comptroller.

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Report on changes in banking structure. In a letter dated July 25, 1961, Chairman Sparkman of the Senate Select Committee on Small Business requested that the Board's staff prepare a current study of concentration in banking, following as closely as possible, especially with respect to statistical data, the information contained in a study prepared at the Board in 1952 at the Committee's request. The 1952 study had been issued by the Committee under the title "Concentration of Banking in the United States."

A draft of reply to Chairman Sparkman, with an attached draft of report, was prepared in the Division of Bank Operations and distributed under date of October 9, 1961. On the basis of suggestions received following such distribution, the report was revised in a number of respects and the changes were outlined in a memorandum dated November 6, 1961, which also had been distributed.

During discussion of the proposed report, Governor Mitchell expressed the view that it did not seem to present a clear interpretation of developments in recent years. If the data were presented somewhat differently, he believed they would convey a much clearer impression of what had been happening. The subject was quite a sensitive one, he noted. Accordingly, he thought the Board might be well advised to delay sending the report to the Committee until further analytical work had been done.

More specifically, Governor Mitchell suggested that the title of the report might be changed to reflect the subject matter more accurately;

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a title such as "Some Recent Changes in the Banking Structure" would seem more appropriate. Also, he did not believe it was possible to deal effectively with trends by putting together data from States having different types of statutes with respect to branch banking. Therefore, he would segregate the data according to States in which the laws with respect to branch banking were reasonably similar. This might result in three categories: (1) States with unlimited branch banking; (2) States with limited branch banking; and (3) States with no branch banking. Further, within each of these categories the development of the banking structure in rural and in urban sections could be analyzed. If this were done, he believed that some clearly established trends for the period covered would become apparent. It might also be desirable, he thought, to use not only the banking unit but dollar deposits as a unit of measurement. He added that he did not think it should be too difficult to rearrange the statistical data that had been compiled in a form that would lend itself more readily to analysis.

Governor Mills suggested that the approach mentioned by Governor Mitchell could be utilized by the staff for the information and guidance of the Board, and that, if desired, the report itself might be forwarded to the Committee as drafted. It was possible, he thought, that the Committee might prefer to have the report in this form, for ease of comparison, since it represented essentially an extension of the report submitted in 1952.

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In this connection, Mr. Farrell mentioned that in the July 25 letter from Senator Sparkman it had been requested that the report follow as closely as possible the one submitted in 1952. Accordingly, the staff had patterned the proposed report after the earlier one, which apparently was well regarded by the Committee.

Governor Mitchell commented that the question involved the image of the Board and its analytical standards. While he would like to be responsive to the request of the Committee, at the same time he would want to present something that would contribute to a better understanding of developments in recent years. It was his feeling that the report, as drafted, might merely contribute to confusion.

Mr. Hexter remarked that perhaps the Board might wish to present the data in a form comparable to the 1952 report and also in another form that would give a clearer picture of recent developments, following which Governor Mitchell indicated that his objection to the report related more specifically to the need for analysis of the data than to the data itself.

Governor Robertson said he was inclined to believe that the suggestion made by Governor Mitchell had merit and should be followed. He agreed that the Board should present as clear a picture as possible of the changes that had been occurring in banking structure, having in mind, as Mr. Hexter had suggested, that the statistics should be in line with those presented in 1952. He did not understand that the matter was

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sufficiently urgent to preclude the kind of analysis mentioned by Governor Mitchell. Therefore, he would propose that the staff be requested to work further on the matter under the guidance of Governor Mitchell.

After other members of the Board had expressed general agreement with this suggestion, it was understood that such a procedure would be followed.

Interest rates. Governor Mills noted that it would seem desirable that any decision by the Board relating to maximum rates of interest under Regulation Q, Payment of Interest on Deposits, be made before the first of December. Accordingly, he suggested it would appear appropriate to place the matter on the agenda for further discussion at an early date.

It having been noted that the topic was on the agenda for the meeting with the Federal Advisory Council on November 21, the suggestion was made that a preliminary discussion might be scheduled for the Board meeting agenda on November 20, with the possibility of further consideration of the matter at the meeting on November 22.

Foreign currency operations. Governor Mitchell referred to the discussion of possible Federal Reserve operations in foreign currencies at the Open Market Committee meeting on November 14 and to the plan for further consideration of the subject at the December 5 meeting of the Committee. He indicated that it would be helpful to him if there could be some general discussion of the subject by the Board prior to the December 5 meeting, and it was understood that the Secretary would inform Chairman Martin of this suggestion.

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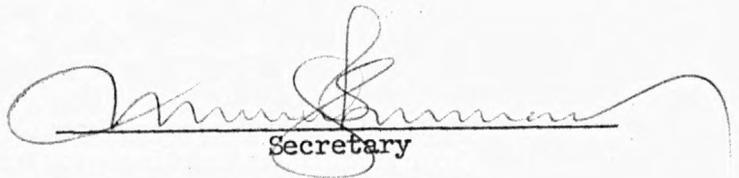
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The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Boston (attached Item No. 6)
approving the designation of various employees as special assistant
examiners.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 7)
approving the appointment of James E. Hastings as assistant examiner.



Secretary

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

Item No. 1
11/15/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1961

Mr. Harold T. Patterson,
First Vice President and General Counsel,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Patterson:

Referring to your letter of October 24, 1961, the Board approves acceptance of the proposal for acquisition of property adjoining the Jacksonville Branch as outlined in your letter and the attachment.

It is noted that under this proposal, the Bank would have to rent the property for a minimum of two years at \$12,000 net per annum, at the end of which time it would have the option to purchase the fee simple interest in the property at \$200,000.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 2
11/15/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1961



Mr. John H. Perkins, Vice President,
Continental Illinois National Bank
and Trust Company of Chicago,
Chicago 90, Illinois.

Dear Mr. Perkins:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated October 13, 1961, of Continental International Finance Corporation, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 211.3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

November 15, 1961

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated October 13, 1961, of CONTINENTAL INTERNATIONAL FINANCE CORPORATION duly filed with said Board of Governors, and that CONTINENTAL INTERNATIONAL FINANCE CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

(SEAL)

By (Signed) Elizabeth L. Carmichael

Assistant Secretary

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

Item No. 3
11/15/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1961



Mr. John H. Perkins, Vice President,
Continental Illinois National Bank
and Trust Company of Chicago,
Chicago 90, Illinois.

Dear Mr. Perkins:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated October 13, 1961, of Continental International Banking Corporation, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 211.3(c) of the Board's Regulation K.

This preliminary permit has been issued with the understanding that, upon the granting of a final permit and the commencement of business by Continental International Banking Corporation, the foreign exchange trading activities of the parent bank in New York will be transferred to Continental International Banking Corporation.

Very truly yours,

Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

November 15, 1961

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated October 13, 1961, of CONTINENTAL INTERNATIONAL BANKING CORPORATION duly filed with said Board of Governors, and that CONTINENTAL INTERNATIONAL BANKING CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By

(Signed) Elizabeth L. Carmichael
Assistant Secretary

(SEAL)

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

 In the matter of the application of
 MONTANA SHARES, INCORPORATED,
 Great Falls, Montana
 For prior approval of the acquisition
 of bank shares under section 3(a)(2) of
 the Bank Holding Company Act of 1956

ORDER APPROVING APPLICATION
UNDER BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application by Montana Shares, Incorporated, Great Falls, Montana, a registered bank holding company, for the Board's prior approval of Applicant's acquisition of an additional 4 per cent of the voting shares of the First State Bank of Chinook, Chinook, Montana; notice of receipt of the application was published in the Federal Register on August 19, 1961 (26 F.R. 7788), which notice provided for the filing of comments and views regarding the proposed acquisition; and the time provided by the notice for filing comments and views having expired and no comments or views having been filed;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted, and the acquisition by Montana Shares, Incorporated, of 30 shares of the outstanding voting shares of the First State Bank of Chinook is hereby approved, provided (1) that the acquisition shall not be consummated within seven calendar days following the date of this Order and (2) that such acquisition shall be consummated within three months from the date of this Order.

Dated at Washington, D. C., this 15th day of November, 1961.

By order of the Board of Governors.

Voting for this action: Governors Mills, Robertson, Shepardson, King, and Mitchell.

Absent and not voting: Chairman Martin and Governor Balderston.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY MONTANA SHARES, INCORPORATED, FOR
PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF
FIRST STATE BANK OF CHINOOK, CHINOOK, MONTANA

STATEMENT

Montana Shares, Incorporated, Great Falls, Montana ("Applicant"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of Applicant's acquisition of an additional 4 per cent of the voting shares of First State Bank of Chinook, Chinook, Montana ("Bank").

Views and recommendations of Superintendent of Banks. - As required by section 3(b) of the Act, the Board notified the Superintendent of Banks of the State of Montana of the receipt of the application and requested his views thereon. The Superintendent of Banks recommended approval of the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and the bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs and welfare of the community and area concerned; and (5) whether the effect of the acquisition would be to expand the size or

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extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - Applicant now owns, and has owned since prior to the enactment of the Act, slightly in excess of 46 per cent of the 750 outstanding shares of Bank. During the same period, Applicant has held voting control of Bank through ownership of more than 50 per cent of the shares of Bank's stock voted in the annual election of Bank's directors. Approval of this application would increase Applicant's ownership of Bank's outstanding voting shares to slightly more than 50 per cent.

The financial history and condition, prospects, and management of Applicant and Bank are satisfactory. The proposed acquisition will not materially affect these factors.

Bank is located in the town of Chinook, Blaine County. The County, with a population of 8,100 in 1960, is served by three banks located within its boundaries. In addition to Bank, The Farmers National Bank is located in Chinook. Security State Bank is located 21 miles east at Harlem. Neither of the latter two banks is a holding company subsidiary. While the three banks mentioned are the principal competitors for the banking business originating in and around Chinook, some competition is also offered by two banks located 22 miles west of Chinook at Havre, Montana, one a subsidiary of Applicant, the other a subsidiary of First Bank Stock Corporation, also a bank holding company.

Inasmuch as no significant change will occur either in the nature or scope of Bank's operations as a result of the proposed acquisition, it follows that there will be no material effect on the convenience, needs, and welfare of the community and area concerned.

Similarly, in view of Applicant's present effective control of Bank, it does not appear that the acquisition of an additional 30 shares of Bank's stock will have any measurable impact on banking competition, or that it will produce any significant expansion in the size or extent of Applicant's holding company system.

It is the judgment of the Board that the proposed acquisition would be consistent with the general purposes of the Act and the factors enumerated in section 3(c) and, accordingly, that the application should be approved.

November 15, 1961.

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

Item No. 6
11/15/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1961

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

Dear Mr. Groot:

In accordance with the request contained in your letter of November 1, 1961, the outstanding authorizations heretofore given your bank to designate various employees as special assistant examiners are hereby broadened to include State Street Bank and Trust Company, Boston, Massachusetts, except with respect to:

George A. Conley, Jr.
Walter R. Dewar
Marjorie F. Hagen

Paul V. Hughes
Alfred J. Morrissey, Jr.
Wilson S. Snow

The Board also approves the designation of Richard J. Matulis, William C. Baldwin, and David Anderson, III, at present assistant examiners, as special assistant examiners for the Federal Reserve Bank of Boston for the purpose of participating in examinations of Depositors Trust Company, Augusta, Maine; The Merrill Trust Company, Bangor, Maine; The Connecticut Bank and Trust Company, Hartford, Connecticut; Rhode Island Hospital Trust Company, Providence, Rhode Island; and State Street Bank and Trust Company, Boston, Massachusetts.

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 7
11/15/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 15, 1961

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request con-
tained in your letter of November 1, 1961, the
Board approves the appointment of James E.
Hastings as an assistant examiner for the Federal
Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

