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Minutes for November 29, 1961

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on
 Wednesday, November 29, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson
 Mr. King

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thomas, Adviser to the Board
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Solomon, Director, Division of Examinations
 Mr. Johnson, Director, Division of Personnel
 Administration
 Mr. Hexter, Assistant General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Furth, Adviser, Division of International
 Finance
 Mr. Conkling, Assistant Director, Division of
 Bank Operations
 Mr. Leavitt, Assistant Director, Division of
 Examinations
 Mr. Sprecher, Assistant Director, Division of
 Personnel Administration
 Mr. Spencer, General Assistant, Office of the
 Secretary

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

Item No.

Letter to the Federal Deposit Insurance Corpo-
 ration regarding deposit insurance for a
 nonmember bank that would assume the liabilities
 and purchase offsetting assets of Security State
 Bank, Algona, Iowa, and Farmers State Bank,
 Luverne, Iowa.

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	<u>Item No.</u>
Letter to The Endicott National Bank, Endicott, New York, approving its application for fiduciary powers.	2
Letter to The Savings Deposit Bank and Trust Company, Elyria, Ohio, granting Pioneer National Bank, into which it is to be converted, permission to exercise fiduciary powers. <u>1/</u>	3
Letter to The First National Bank of Oakland City, Oakland City, Indiana, approving its application for fiduciary powers.	4
Letter to the Federal Reserve Bank of Chicago waiving assessment of a penalty incurred by The Home Trust and Savings Bank, Osage, Iowa, because of a deficiency in its required reserves.	5
Letter to Burns State Bank, Burns, Kansas, interposing no objection to the declaration of a dividend on October 14, 1961.	6
Letter to the Federal Reserve Bank of Kansas City approving the appointment of an additional Federal Reserve Agent's Representative at the Denver Branch.	7

United Security Savings Account Plan (Item No. 8). The Board was in receipt of a telegram dated November 27, 1961, from the President of the Federal Reserve Bank of San Francisco reporting widespread advertising in California by Citizens Bank and Trust Company, Park Ridge (Chicago), Illinois, of its so-called United Security Savings Account Plan. The telegram stated that many inquiries as to the propriety of the plan and complaints about the advertising had been received. In this connection, there had been distributed a memorandum from the Legal Division dated November 28, 1961, submitting a proposed reply to the San Francisco

1/ Title to be First National Bank of Elyria. See letter dated April 6, 1962.

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Reserve Bank which, it was suggested, the Board might also wish to send to the other Reserve Banks as well as the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

In discussion of the matter it was stated that a memorandum would be available to the Board shortly concerning the proposed amendments to Regulation Q, Payment of Interest on Deposits, that had been published in the Federal Register for comment on September 14, 1961. Citizens Bank and Trust Company, it was noted, had been advised that its United Security Savings Account Plan would not be permissible under the revised savings deposit definition. Accordingly, since it appeared that the Board would be in a position to act on the proposed amendments to Regulation Q within the next few days, the suggestion was made that the reply to the San Francisco Bank might be relatively brief, simply advising that the Board had informed Citizens that its plan would not be permissible under the amended Regulation.

There being agreement with this suggestion, unanimous approval was given to a telegram to the San Francisco Bank in the form attached as Item No. 8.

In connection with the proposed amendments to Regulation Q, the Board was advised by Mr. Hooff that informal clearances with the staff of the Federal Deposit Insurance Corporation were expected to be completed shortly, so that the Board and the Corporation would be in a position to make the proposed changes in their respective regulations effective.

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Mr. Hooff then withdrew from the meeting.

Report on proposed merger (Item No. 9). In a letter dated November 27, 1961, the Comptroller of the Currency referred to the Board's report of June 22, 1961, on the competitive factors involved in the proposed merger of the National Bank of Westchester, White Plains, New York, with The First National City Bank of New York, New York, and invited the Board to submit certain further material regarding this matter, for inclusion in the record of the hearing to be held on December 4, 1961. A draft of proposed reply had been distributed to the Board.

In discussion of the matter certain changes in the draft were suggested, following which unanimous approval was given to a reply in the form attached as Item No. 9.

Announcement regarding silver. At the Chairman's request, Mr. Furth commented as a matter of information on the nature and effect of yesterday's announcement concerning the decision of the President that silver metal should gradually be withdrawn from the country's monetary reserves. In accordance with this decision the Treasury had been directed to suspend further sales of free silver and to suspend the use of free silver held by the Treasury for coinage. The amount of silver required for coinage needs was to be obtained by retirement from circulation of a sufficient number of \$5 and \$10 silver certificates. The President also announced his intention to recommend to the Congress repeal of

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existing silver purchase legislation, along with repeal of the existing tax on transfers of interest in silver bullion. He further announced his intention to recommend the enactment of legislation to provide for the gradual release of the silver now required as backing for \$1 and \$2 silver certificates and to authorize the issuance of Federal Reserve notes in those denominations.

Following discussion in the light of Mr. Furth's comments, all of the members of the staff except Messrs. Sherman and Fauver 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:

J. M. Cheatham, President of Dundee Mills, Incorporated, Griffin, Georgia, was designated as Chairman and Federal Reserve Agent of the Federal Reserve Bank of Atlanta 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 discuss with Ethan A. H. Shepley, Chancellor of Washington University, St. Louis, Missouri, whether the latter would accept appointment, if tendered, as Class C director of the Federal Reserve Bank of St. Louis for the three-year term ending December 31, 1964.

Homer A. Scott, Vice President and District Manager of Peter Kiewit Sons' Company, Sheridan, Wyoming, was designated as Chairman and Federal Reserve Agent of the Federal Reserve Bank of Kansas City 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.

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Oliver S. Willham, President of Oklahoma State University, Stillwater, Oklahoma, was appointed as Deputy Chairman of the Federal Reserve Bank of Kansas City for the year 1962.

It was agreed to request the Chairman of the Federal Reserve Bank of Kansas City to ascertain and advise whether Dolph Simons, Editor and Publisher of the Lawrence Daily Journal-World, Lawrence, Kansas, would accept appointment, if tendered, as Class C director of that Bank for the three-year term ending December 31, 1964, with the understanding that if it were ascertained that Mr. Simons would accept, the appointment would be made.

Lamar Fleming, Jr., Member of the Board of Directors of Anderson, Clayton & Co., Inc. Houston, Texas, was reappointed as Class C director of the Federal Reserve Bank of Dallas for the three-year term ending December 31, 1964, and was appointed as Deputy Chairman of the Bank for the year 1962.

It was agreed to request the Chairmen of the appropriate Federal Reserve Banks to ascertain and advise whether the following persons would accept appointments, if tendered, as Federal Reserve Bank branch directors for the terms indicated, with the understanding that if it were ascertained that they would accept, the appointments would be made:

Barney Alden Tucker, Farmer, London, Kentucky, as a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for the three-year term ending December 31, 1964.

Fletcher Lauman Byrom, President of Koppers Co., Inc., Pittsburgh, Pennsylvania, as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for the unexpired portion of the three-year term ending December 31, 1962, to succeed John T. Ryan, Jr., whose resignation became effective December 31, 1961.

James W. Miller, President, Western Michigan University, Kalamazoo, Michigan, as a director of the Detroit Branch of the Federal Reserve Bank of Chicago for the three-year term ending December 31, 1964.

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Harry M. Young, Jr., Farmer, Herndon, Kentucky, as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis for the three-year term ending December 31, 1964. (It was agreed that if Mr. Young was unable to accept, the appointment would be tendered to Richard T. Smith, Farmer, Madisonville, Kentucky.)

William King Self, President of the Riverside Chemical Company, Marks, Mississippi, as a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for the unexpired portion of the three-year term ending December 31, 1962, to succeed Clay Lyle, whose resignation became effective November 1, 1961.

John T. Harris, Manager, DeGroff Department Store, McCook, Nebraska, as a director of the Omaha Branch of the Federal Reserve Bank of Kansas City for the two-year term ending December 31, 1963. (It was agreed that if Mr. Harris was unable to accept, the appointment would be tendered to Earl H. Monahan, Cattle Rancher, Hyannis, Nebraska.)

Edgar H. Hudgins, Rancher, Hungerford, Texas, as a director of the Houston Branch of the Federal Reserve Bank of Dallas for the three-year term ending December 31, 1964.

Harold D. Herndon, Oil Operator, San Antonio, Texas, as a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for the three-year term ending December 31, 1964.

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:

Appointment

Theodore L. Jones as Cafeteria Laborer in the Division of Administrative Services, with basic annual salary at the rate of \$3,185, effective the date of entrance upon duty.

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Salary increase

Att W. Hammons, Jr., Assistant Federal Reserve Examiner, Division of Examinations, from \$7,260 to \$7,560 per annum, effective December 10, 1961.

A handwritten signature in cursive script, appearing to read "James B. ...", is written over a horizontal line. Below the line, the word "Secretary" is printed in a serif font.

Secretary

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

Item No. 1
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



The Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of November 8, 1961, regarding the organization of a nonmember bank which will assume the liabilities and purchase offsetting assets of Security State Bank, Algona, Iowa, and the Farmers State Bank, Luverne, Iowa, and establish a branch in Luverne.

The Board of Governors has urged no corrective programs upon Security State Bank, Algona, Iowa, nor has the bank agreed to any programs which the Board feels would be advisable to incorporate as conditions of insuring the deposits of the proposed new nonmember State bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



Board of Directors,
The Endicott National Bank,
Endicott, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Endicott National Bank authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of New York. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

The Board notes the present capital position of the bank is not satisfactory, and wishes to stress the need for strengthening the capital structure as soon as possible.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

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. 3
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



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

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission to exercise fiduciary powers made by The Savings Deposit Bank and Trust Company on behalf of Pioneer National Bank, Elyria, Ohio, 1/ the national bank into which it is to be converted, and grants such national bank authority, effective if and when the proposed conversion is consummated, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Ohio. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

After the conversion becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of Pioneer National Bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Cleveland for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate indicating the fiduciary powers that the national bank is authorized to exercise will be forwarded.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

1/ Title to be First National Bank of Elyria. See letter dated April 6, 1962.

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

Item No. 4
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



Board of Directors,
The First National Bank of Oakland City,
Oakland City, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, guardian of estates, and committee of estates of lunatics. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

In addition to the fiduciary powers herein authorized, the bank was granted authority, on September 19, 1955, to act as trustee for bond issues and registrar of stocks and bonds of the Oakland Columbia School Building Company, Inc.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 5
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



Mr. E. K. Kroll, Assistant Cashier,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Kroll:

This refers to your letter of November 14, regarding the penalty of \$38.36 incurred by The Home Trust and Savings Bank, Osage, Iowa, on a deficiency of five per cent in its required reserves for the biweekly computation period ended November 1, 1961.

It is noted that the deficiency resulted from the bank's failure to realize that a large increase in its deposits was occurring during the period, and from the nonsynchronization of entries on its books and the Reserve Bank's books for a currency shipment and a transfer to its reserve account; and that the bank has had an excellent reserve record since its membership in the System in 1918.

In the circumstances, the Board authorizes your Bank to waive assessment of the \$38.36 penalty for the reserve period ended November 1, 1961.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



Board of Directors,
Burns State Bank,
Burns, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System has received a copy of a letter written by Mr. C. L. Bruner, President, dated October 24, 1961, and addressed to Mr. George D. Royer, Jr., Chief Examiner, Federal Reserve Bank of Kansas City, in which it is indicated that you voted to declare a dividend of \$750 at your meeting on October 14, 1961, subject to approval by the Board of Governors. Mr. Bruner's letter requests the Board's permission to declare this dividend.

After giving consideration to the facts related to this matter, the Board approves the declaration of the dividend of \$750 declared at your meeting of October 14, 1961. This letter does not authorize any other declaration of dividends for 1961 or later.

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
11/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 29, 1961



Mr. Raymond W. Hall,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Hall:

In accordance with the request contained in your letter of November 17, 1961, the Board of Governors approves the appointment of Mr. William Bernard Hoar as an additional Federal Reserve Agent's Representative at the Denver Branch.

This approval is given with the understanding that Mr. Hoar will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Hoar may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Denver Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Hoar is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is assumed that Mr. Hoar will execute the usual Oath of Office, which will be forwarded to the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

Item No. 8
11/29/61

November 29, 1961

Swan - San Francisco

Reurtel 27th on "United Security Accounts" of Citizens Bank and Trust Company, Park Ridge (Chicago). Board has advised Citizens Bank that this plan would not be permissible under proposed amendments to Regulation Q published in September 14, 1961 Federal Register for comment.

(Signed) Merritt Sherman
Sherman



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
11/29/61

OFFICE OF THE CHAIRMAN

November 30, 1961

The Honorable James J. Saxon,
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Dear Mr. Saxon:

This is with regard to your letter of November 27, 1961, in which you refer to this Board's report of June 22, 1961, on the competitive factors involved in the proposed merger of National Bank of Westchester, White Plains, New York, with The First National City Bank of New York, and in which you invite the Board to present additional material regarding the proposed merger.

The Board appreciates and has carefully considered your invitation to supply further material regarding this matter. However, the statements you quote from pp. 13 and 14 of the Board's report were preceded, as you know, by extensive information and analysis relating to the case. The Board felt, and continues to feel, that these provide an adequate basis for those statements. Accordingly, upon again reviewing the applicable provisions of section 18(c) of the Federal Deposit Insurance Act, as well as the report on competitive factors which the Board has furnished in this case pursuant to those provisions, the Board has concluded that it would not wish to add to the report at this time.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.