Minutes for December 18, 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, December 18, 1961. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson 1/
Mr. Shepardson
Mr. Mitchell
Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Spencer, General Assistant, Office of the Secretary


Messrs. Noyes, Garfield, Koch, Williams, Dembitz, Solomon, Gehman, Peret, Wernick, and Yager, and Miss Dingle of the Division of Research and Statistics


At the conclusion of this presentation all members of the staff except Messrs. Sherman, Fauver, Noyes, Koch, and Spencer withdrew from the meeting and the following entered the room:

Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Conkling, Assistant Director, Division of Bank Operations

Attended morning session only.
Mr. Hooff, Assistant General Counsel  
Mr. Masters, Associate Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Young, Senior Attorney  
Mr. Fuerth, Attorney  
Mr. Veenstra, Technical Assistant, Division of Bank Operations  
Mr. Thompson, Supervisory Review Examiner, Division of Examinations

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously, subject to the qualification stated in one instance:

1. Telegram to all Federal Reserve Banks transmitting an interpretation of the applicability of the grace period, as provided in Regulation Q, in computing interest payments.

2. Letter to the Bureau of the Budget advising that the Board had no recommendations for reorganization plan action under the Reorganization Act of 1949, as amended. (Revised draft prepared pursuant to the understanding at the meeting on December 13, 1961.)

3. Letter to Vice President Crosse of the Federal Reserve Bank of New York regarding his proposal for the publication of certain asset and liability data for bank branches located outside the head office city; letter to all Federal Reserve Banks transmitting a questionnaire designed to obtain information as to the accuracy of branch bank deposit figures. (Prepared pursuant to the understanding at the meeting on October 19, 1961.)

Governor Mitchell remained of the opinion that the Board should seek changes in the law that would permit delegations of authority by it in certain areas; otherwise, he considered the letter satisfactory and would go along with its transmittal to the Budget Bureau.
Letter to The Huntington National Bank of Columbus, Columbus, Ohio, granting a determination exempting it from holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.

In connection with Item No. 1, the Chairman commented on the delay that apparently had been involved in circularizing member banks and others regarding the recent Board action increasing the maximum rates permitted to be paid on time and savings deposits. This delay had contributed to the public relations problem that was already inherent in the Board's action. In similar instances in the future, this would be something to bear in mind.

System Conference of Trust Examiners (Item No. 6). There had been circulated a memorandum dated December 6, 1961, from Mr. Masters, recommending that a System Conference of Trust Examiners be held in New York City on February 8 and 9, 1962.

Governor Balderston raised a question as to the progress of the study being made of the Board's common trust fund regulation, to which Mr. Masters replied that the study was not yet complete. Although he had indicated earlier that it should be ready by mid-November, the date was now uncertain.

Governor Mills inquired whether it appeared that it would be possible to have recommendations available by the time of the proposed meeting of trust examiners in February, and Mr. Masters indicated that he hoped to have the study before the Board prior to that date.
The proposed System Conference of Trust Examiners was then approved unanimously. A copy of the letter sent to each Federal Reserve Bank regarding this matter is attached as Item No. 6.

Mr. Masters withdrew from the meeting at this point.

Application of Equity Corporation (Items 7 and 8). There had been distributed a memorandum dated December 15, 1961, from the Division of Examinations with respect to an application submitted by The Equity Corporation, New York, New York, and its majority-owned subsidiary, Bell Intercontinental Corporation, also of New York, for determinations exempting these organizations from holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act. Attached to the memorandum were drafts of letters, prepared by the Legal Division, in which such determinations would be granted.

In discussion, Governor Mills noted that Equity Corporation owned over 50 per cent of the outstanding capital stock of Bell Intercontinental Corporation, which in turn owned over 50 per cent of the shares of Central National Bank and Trust Company of Des Moines, Des Moines, Iowa. Also, Equity also owned approximately 16 per cent of the voting shares of Financial General Corporation, a holding company of banks located in several States. Both Equity and Financial General were exempt by law from the provisions of the Bank Holding Company Act. In his view, this whole situation should be watched carefully in view of the complex financial interrelationships. Further, it appeared to him
that the Board should go further than just to include a reference in its Annual Report to the desirability of amending the Bank Holding Company Act to remove the exemption accorded to a company registered under the Investment Company Act of 1940 before May 15, 1955. It would seem well to seek actively to have appropriate legislation introduced and enacted.

Governor Robertson commented that he also would consider it desirable to seek legislation.

Following further discussion, the letters to The Equity Corporation and Bell Intercontinental Corporation were approved unanimously. Copies are attached as Items 7 and 8, respectively.

The meeting then recessed in order that the Board members might participate in a phase of the Board's Christmas program. The meeting reconvened at 11:00 a.m. with the following additional staff members in attendance:

Mr. Kenyon, Assistant Secretary
Mr. Harris, Coordinator of Defense Planning
Mr. Dembitz, Associate Adviser, Division of Research and Statistics

Messrs. Molony, Conkling, Veenstra, and Thompson did not return to the meeting following the recess.

Public service of Class A director (Item No. 9). There had been distributed a memorandum dated December 14, 1961, from the Legal Division in connection with a question raised by the Federal Reserve Bank of Atlanta as to whether a recently elected Class A director of that Bank, Mr. D. C. Wadsworth, Sr., President of the American National
Bank of Gadsden, Alabama, could continue to hold certain public offices with the City of Gadsden or whether such service would be prohibited by the Board's resolution of December 23, 1915, relating to the holding of political or public office by Reserve Bank directors and officers. Attached to the memorandum was a proposed reply in which it would be stated that in the circumstances described by the Reserve Bank the spirit and purpose of the 1915 resolution would not require Mr. Wadsworth to resign from the positions that he held with the City of Gadsden.

Following comments by Mr. Young concerning the nature of the offices held by Mr. Wadsworth, the letter to the Reserve Bank was approved unanimously. A copy is attached as Item No. 9.

Office held by proposed branch director. Mr. Fauver reported that a telegram had been received from the President of the Federal Reserve Bank of Atlanta with respect to the proposed appointment by the Board of Dr. Henry King Stanford, President, Birmingham Southern College, as a director of the Birmingham Branch. Although agreeable to the appointment, Dr. Stanford had pointed out that he was a member of the Citizens Supervisory Commission, a body established by statute to supervise the merit system in Jefferson County, Alabama. This body elected the personnel board that administered the merit system for employees of Birmingham and Jefferson County. Dr. Stanford was a member of the Commission by virtue of his being President of Birmingham Southern College; no salary was involved.
It was agreed that Dr. Stanford's membership on the Citizens Supervisory Commission would not be inconsistent with the spirit and purpose of the Board's 1915 resolution relating to the holding of public or political office.

Mr. Young withdrew from the meeting at this point and Mr. Kelleher, Director, Division of Administrative Services, entered the room.

Application of Elyria Savings and Trust Company. Pursuant to the decision reached by the Board on December 8, 1961, a draft of an order and statement in the matter of the application of The Elyria Savings and Trust Company, Elyria, Ohio, for permission to consolidate with The First Wellington Bank, Wellington, Ohio, had been prepared by the Legal Division and distributed to the Board.

Agreement having been expressed with certain changes in the statement suggested by Governors Mills and Mitchell, the issuance of the order and statement was authorized subject to the incorporation of those changes and certain minor changes referred to by Mr. Hackley. Copies of the documents issued pursuant to this authorization are attached as Items 10 and 11.

Messrs. Hackley, Solomon, Hooff, Leavitt, and Fuerth withdrew from the meeting at this point.

Census Survey of Farm Debt. There had been circulated a memorandum dated November 6, 1961, from Messrs. Noyes and Kelleher regarding
tabulation and analysis of data from the Census Survey of Farm Debt.

The memorandum indicated that the two final parts of the work at the Board in connection with the survey would require authorization for the expenditure of funds during 1961 in excess of existing budget provisions, as well as authorization for the expenditure of funds in 1962. The work involved was the machine summarization of the farm debt data into tabular form for analysis, and the preparation of reports and studies. The portion of the proposed expenditures chargeable to the budget of the Division of Administrative Services was estimated at $9,300; in addition, provision would be made for the retention of an economic analyst in the Division of Research and Statistics for from six to nine months in 1962, at an estimated cost of from $4,000 to $9,100.

Following explanatory comments by Mr. Noyes, during which he noted that most of the proposed expenditures would be made in 1962, Governor Mitchell raised certain questions to the value of this work and the relationship of the cost to amounts provided for other research work, particularly in the area of banking studies. Mr. Noyes responded by commenting on the over-all scope of the farm debt survey, the extent of the Board's contribution, and the benefits that would be obtained. It was his opinion that the benefits derived from the complete study would warrant the expenditure resulting from the Board's contribution to it. The Board had been brought into the matter, he noted, principally because of the availability of an electronic computer at the Board's offices.
The proposal contained in the memorandum from Messrs. Noyes and Kelleher was then approved unanimously, with the understanding that the expenditures chargeable to the budget of the Division of Administrative Services would be made either in 1961 or 1962. As to expenditures in 1961, approval was given to any resulting budget overexpenditure.

Fall-out shelter program. Governor Shepardson reported, in connection with the Board's fall-out shelter program authorized October 5, 1961, that the architectural-engineering firm handling the plans had now suggested a different approach. In response to a request from Governor Shepardson that he comment on this subject, Mr. Harris recalled that the preliminary plans contemplated the use of certain basement tunnel areas. However, upon further investigation by the architects certain difficulties had been encountered that would involve reinforcing the tunnel ceiling and would also require providing other sewage facilities. In view of these circumstances, the architects had presented an alternative recommendation involving use of the Board's garage. This plan, which would not result in the impairment of garage space under peacetime conditions, would involve principally the blocking of the windows and additional protection over the garage doors. It appeared that the arrangement would cost less than the one originally proposed.

Following a general discussion, agreement was expressed with the alternative plan and it was understood that the steps necessary to implement it would be taken.
Mr. Schwartz, Chief, Statistical Operations Planning, Division of Research and Statistics, entered the room at this point and Messrs. Bass, Assistant Controller, Kakalec, Assistant to the Controller, and Wilson, Chief, Automatic Data Processing and Telegraph Services, Division of Administrative Services, entered the room during the discussion of the following item.

Electronic computer. There had been distributed a memorandum from Messrs. Noyes and Kelleher dated December 5, 1961, regarding the proposed replacement of the Board's IBM 650 computer. It was recommended, for reasons discussed in the memorandum, that a firm contract be entered into with the International Business Machines Corporation for installation on an annual rental basis of $148,560 of a Model 1410 computer on or about June 1, 1962, as a replacement for the Model 650.

In the discussion of the matter, Governor Shepardson referred to a question raised by Governor Mitchell at the meeting on December 13, 1961, in connection with the consideration of the Board's budget for 1962. This question related to the rental cost involved in using the present computer as opposed to the new computer. The explanation, Governor Shepardson said, was that the cost in 1962 with the new computer would be less than the cost if the present computer were retained and used to a comparable extent. In other words, there would be an increased cost in 1962 in any event, due to the anticipated larger scale of operations, but the increase would be less if the new computer were rented than if the present computer were retained.
Governor Shepardson then discussed the question of renting the new computer, as compared with purchase or rental with option to purchase. After consideration of all phases of the question, the staff recommendation was for rental. However, Mr. Schwartz would have favored including a purchase option.

At the Board's request, Mr. Schwartz presented information that had caused him to favor the inclusion of the purchase option, which would cost approximately $6,000 on a two-year basis. Certain reasons that had seemed to them to raise a question with regard to the value of such an option were then cited by Messrs. Kelleher and Kakalec. However, it was not indicated that any strong objection existed.

After evaluation of the views expressed, the recommendation contained in the memorandum from Messrs. Noyes and Kelleher was approved unanimously, but with the understanding that a purchase option would be included in the contract with International Business Machines Corporation.

The meeting then recessed and reconvened in the Board Room at 2:30 p.m. at which time the Board met in executive session with Messrs. Martin, Balderston, Mills, Shepardson, and Mitchell present.

Salaries of Presidents and First Vice Presidents. The Secretary was informed later that during the executive session the Board had approved the payment of salaries to Presidents and First Vice Presidents of Federal Reserve Banks at the annual rates shown below. Except as otherwise indicated, the rates were approved for the period January 1 through December 31, 1962.
Governor Mitchell stated that he would not have approved salary increases for Messrs. Ellis, Clay, and Swan at this time, not that he objected to increases but because he felt that it was too soon after their appointments to their present positions to make such increases. However, he recognized that these increases may have been implicit in terms of the actions taken earlier by the Board of Governors in connection with the appointments when he was not a member of the Board.

The meeting then adjourned.

1/ Salary at annual rate of $30,000 for the period January 1-February 28, 1962; $33,000 for the period March 1-December 31, 1962.
2/ Salary fixed at such rate by the Board of Directors of the Bank.
3/ From January 1, 1962, to date of retirement.
Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 12) approving the appointment of John Zimmer as assistant examiner.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Appointment

Mary Frances Gifford as Statistical Clerk in the Division of Bank Operations, with basic annual salary at the rate of $4,565, effective the date of entrance upon duty.

Acceptance of resignation

Barbara Joan Wrenn, Statistical Clerk, Division of Bank Operations, effective at the close of business January 5, 1962.
Dear Sir:

Quoted below is a telegram sent to all Federal Reserve Banks earlier today:

In response to several inquiries, Board has ruled that days included under grace period, as provided in Section 217.3(d) of Regulation Q, may be included in determining whether deposit has remained in bank for twelve months in order to receive four per cent maximum interest allowed on savings deposits after January 1, 1962. For example, deposit of $1,000 made on January 10, 1961, remaining on deposit continuously to January 1, 1962, may begin to draw interest at four per cent from January 1, 1962.

Very truly yours,

Merritt Sherman,
Secretary.
Honorable David E. Bell, Director,
Executive Office of the President,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Bell:

This is in response to your letter of November 6, 1961, in which you invite the Board to recommend to the Bureau any Presidential reorganization plan action which the Board may consider desirable in connection with the Bureau's review of proposals concerning the organization and management of agencies and functions for possible presentation during the next session of Congress under the Reorganization Act of 1949, as amended.

The Board has no such recommendations to make at this time. If it should develop that changes of a related nature might appear to be desirable, the Board believes that it would be preferable that they be accomplished pursuant to specific legislation by Congress rather than under a reorganization plan.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
Mr. Howard D. Crosse, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Crosse:

This refers to your letter of July 28, 1961, proposing publication of certain asset and liability data for branches outside the head office city.

Copies of your letter had been forwarded to the Vice Presidents in Charge of Examinations at the other Reserve Banks with a request for comments, which are summarized as follows: they were not aware that the problem of inequity, through nondisclosure of branch data, was considered by banks in their Districts to be serious; the results to be obtained would not justify the expected antagonism, the reporting burden, or the expense involved; branch figures were thought to be generally unreliable and subject to widespread unintentional or intentional misreporting; two responses indicated that bankers in their Districts were already pretty well informed as to the relative position of their branch competition, and two questioned whether this type of inequity was an appropriate concern of the supervisory authorities since it existed in other types of business activity; and one Bank suggested that, in those States where the problem exists, a co-operative effort between the banks, the State banking department, and bankers' associations might be preferable to a basic change in the reporting system applicable to all banks.

After consideration of the matter, the Board has concluded that, although the problem of equity among banks, as stated in your letter, is one that deserves the continuing attention of supervisory authorities, it is advisable to attempt to determine what types of branch data can be reported and the degree of accuracy that might be expected before proposing a publication requirement on a national basis.
The Board is sending to each Reserve Bank a letter and questionnaire forms, copies attached, for the purpose of determining the reliability of the branch figures now being obtained and the accuracy of those that would be obtained under your proposed publication requirement.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Dear Sir:

Inasmuch as the question of reporting and publishing balance sheet figures of branches seems likely to recur from time to time, a copy of a letter sent today to Howard D. Crosse, Vice President, Federal Reserve Bank of New York, is enclosed for your information. Copies of his letter of July 28, 1961 had been sent to the Vice Presidents in Charge of Examinations on August 9 by the Division of Bank Operations with a request for comments.

During the discussion of his letter and the Reserve Bank responses, questions arose as to how banks with branches keep their records, the accuracy of deposit figures now being obtained biennially, and what types of meaningful and accurate deposit information could be obtained if present collection methods on branch deposits were changed or if publication of such data were required. The branch data collected biennially are being used by the Board in making decisions on applications to merge or establish branches and under the Bank Holding Company Act.

The attached questionnaire is an attempt to obtain the answers to these questions. Additional copies are being forwarded under separate cover for use in entering information for a representative sample of banks in your District which operate out-of-town branches.

A representative sample will vary by Districts because of the varying types of branch banking prevalent, but it should include not less than a third nor many more than a half of the number of member banks that have out-of-county branches and should include those that account for more than half of the amount of out-of-county deposits. The answers to the questionnaire should relate to all out-of-town branches of the banks included in the sample. In those Districts where the number of member banks operating out-of-county branches is relatively small, the sample should also include member banks operating out-of-town branches only in the head office county. If the information is readily obtainable, it would be helpful if this sample were extended to include a few of the larger representative nonmember branch systems in your District.
It will be appreciated if you will have these questionnaires completed and returned to the Board by the end of January. The information may be obtained in any way that your Bank may deem appropriate—by telephone, mail, or personal visit. It is expected that the supplementary information included under remarks will be most helpful since no set of questions could be compiled which would fit all branch operating systems. Where more than one set of procedures prevails at a single bank, separate copies of the questionnaire should cover the different groups of branches.

On the basis of the situation as reported in your District, the Board will appreciate your opinion on the reliability of branch figures now being obtained and any changes in procedures or requirements that might improve their accuracy.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure
Mr. Clair E. Fultz, President,
The Huntington National Bank of Columbus,
Columbus, Ohio.

Dear Mr. Fultz:

This refers to the request contained in your letter of November 17, 1961, submitted through the Federal Reserve Bank of Cleveland, for determination by the Board of Governors of the Federal Reserve System, as to the status of The Huntington National Bank of Columbus, as a holding company affiliate.

The Board understands that The Huntington National Bank of Columbus, in the course of its trust business, holds the majority of stock of The First National Bank of Mount Gilead, Ohio, in the capacity of executor, and will subsequently hold such stock in the capacity of testamentary trustee; that the national bank does not own or control, directly or indirectly, in a fiduciary capacity, stock of any other bank representing more than a minor percentage of the total outstanding shares of capital stock of such banking institution; and that the national bank does not in its own right own, manage, or control any banking institution.

In view of these facts, the Board has determined that The Huntington National Bank of Columbus is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933; and accordingly, the national bank is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it holds in a fiduciary capacity.

If, however, the facts should at any time indicate that The Huntington National Bank of Columbus might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a
further determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of the national bank result in its attaining a position whereby the Board may determine that the national bank is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
December 18, 1961.

Dear Sir:

Arrangements are being completed for a System Conference of Trust Examiners to be held at the Federal Reserve Bank of New York, on Thursday and Friday, February 8 and 9, 1962, immediately following the Mid-Winter Trust Conference of the American Bankers Association which, as you know, will be held in New York the first three days of that week.

The Conference will be devoted to a discussion of developments during the period since the last Conference of Trust Examiners, held in February 1959, and to features of trust administration and trust examination of particular concern to examiners. An agenda for the Conference is in the course of preparation and suggestions from you as to items of interest which you would like to see included will be welcomed.

It is anticipated that the Senior Trust Examiner at each Federal Reserve Bank will be able to attend this Conference; in addition, it is hoped that arrangements may be made for attendance of others attached to your examination staff who are actively engaged in the examination of trust departments of State member banks. It will be appreciated if you will advise us, at your convenience, the names of those from your bank who will attend.

Yours very truly,

Merritt Sherman,
Secretary.
Mr. Walter C. Ivancevic,
Executive Vice President,
The Equity Corporation,
103 Park Avenue,
New York 17, New York.

Dear Mr. Ivancevic:

This refers to the request contained in your letter of October 3, 1961, submitted through the Federal Reserve Bank of New York, for determination by the Board of Governors of the Federal Reserve System, as to the status of The Equity Corporation, as a holding company affiliate.

The Board understands that The Equity Corporation is a closed-end investment company, holding interests in various companies engaged primarily in industrial operations; that such Corporation is a holding company affiliate by reason of the fact that it owns slightly over 50 per cent of the outstanding capital stock of Bell Intercontinental Corporation, which in turn owns over 50 per cent of the shares of stock of Central National Bank and Trust Company of Des Moines, Des Moines, Iowa; that The Equity Corporation also owns approximately 16 per cent of the outstanding capital stock of Financial General Corporation, a holding company of banks located in several States and the District of Columbia, but does not exercise any control over such holding company; and that The Equity Corporation does not, directly or indirectly, own or control any stock of any other banking institutions, and does not, directly or indirectly, manage or control any banking institution other than Central National Bank and Trust Company of Des Moines.

In view of these facts, the Board has determined that The Equity Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933; and accordingly, the Corporation is not deemed to be a holding company.
Mr. Walter C. Ivancevic

affiliate except for the purposes of section 23A of the Federal Reserve Act.

If, however, the facts should at any time indicate that The Equity Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of the Corporation result in its attaining a position whereby the Board may determine that the Corporation is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
December 18, 1961.

Mr. Walter C. Ivancevic, Vice President,
Bell Intercontinental Corporation,
103 Park Avenue,
New York 17, New York.

Dear Mr. Ivancevic:

This refers to the request contained in your letter of October 3, 1961, submitted through the Federal Reserve Bank of New York, for determination by the Board of Governors of the Federal Reserve System, as to the status of Bell Intercontinental Corporation, as a holding company affiliate.

The Board understands that the Bell Intercontinental Corporation, in addition to the operation of industrial facilities, is diversifying its activities by acquiring interest in concerns not of an industrial nature; that such Corporation is a holding company affiliate by reason of the fact that it owns over 50 percent of the shares of stock of Central National Bank and Trust Company of Des Moines, Des Moines, Iowa; and that such Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Bell Intercontinental Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933; and accordingly, the Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that Bell Intercontinental Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further
determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of the Corporation result in its attaining a position whereby the Board may determine that the Corporation is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

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

Dear Mr. Patterson:

This is in response to your letter of November 30, 1961, in which you ask whether Mr. D. C. Wadsworth, Sr., who was recently elected as a Class A Director of your Bank, may continue to serve as Treasurer of the City of Gadsden and Treasurer of the Water Works and Sewer Board of that City, or whether such service would be prohibited by the Board's resolution of December 23, 1915 relating to the holding of political or public office.

In your letter you express the opinion that the facts relating to Mr. Wadsworth's service with the City indicate that he is rendering a public service of a non-political character which is free from party politics and involves no political activity to obtain or retain the positions. You also state that Mr. Wadsworth's performing this public service could hardly be interpreted as associating your Bank with any political activity.

This is to advise that, in the circumstances described in your letter, the spirit and purpose of the Board's 1915 resolution would not require Mr. Wadsworth to resign from the positions he now holds with the City of Gadsden.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
ORDER APPROVING CONSOLIDATION OF BANKS

There has come before the Board of Governors, pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), an application for the Board's prior approval of the consolidation of The Elyria Savings and Trust Company, Elyria, Ohio, with The First Wellington Bank, Wellington, Ohio, under the charter and title of the former.

Pursuant to said section 18(c), notice of the proposed consolidation in a form approved by the Board of Governors has been published, and reports on the competitive factors involved in the proposed transaction have been furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice, and have been considered by the Board.
IT IS ORDERED, for the reasons set forth in the Board's
Statement of this date, that said consolidation be, and hereby is,
approved, provided that said consolidation shall be consummated
within not less than seven calendar days nor more than three months
from the date of this Order.

Dated at Washington, D. C., this 18th day of December, 1961.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and
Governors Balderston, Mills, Robertson,
Shepardson, and Mitchell.

Absent and not voting: Governor King.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
The Elyria Savings and Trust Company, Elyria, Ohio ("Elyria Savings"), has applied, pursuant to section 13(c) of the Federal Deposit Insurance Act, for the Board's prior approval of consolidation with The First Wellington Bank, Wellington, Ohio ("First Wellington"), under the title and charter of Elyria Savings. The proposal contemplates that the present office of First Wellington would be operated as a branch of the resulting bank.

Under the law, the Board is required to consider (1) the financial history and condition of each of the banks involved, (2) the adequacy of its capital structures, (3) its future earnings prospects, (4) the general character of its management, (5) the convenience and needs of the community to be served, (6) whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.
For convenience, the first four factors and the sixth factor may be considered together as "banking factors". The fifth and seventh factors require separate consideration.

Banking factors. - The financial history and condition of both banks are satisfactory. The capital structures, the future earnings prospects, and the managements of both banks are also satisfactory, and it is believed that the same would be true of the resulting bank. There is no evidence that the corporate powers of the resulting bank would be in any way inconsistent with the Federal Deposit Insurance Act.

Convenience and needs of the community to be served. - First Wellington, with total deposits of slightly over $5 million, is the only bank in Wellington (population 3,599) which is situated in a fertile farming area 17 miles southwest of Elyria. First Wellington has not fully kept pace with modern banking developments. For example, it does not make FHA loans, has not encouraged installment loans, and does not have a trust department. The consolidated institution would make these services available in Wellington.

Elyria Savings, with total deposits of about $34.5 million, is located in Elyria (population 43,782), a diversified industrial center in Lorain County, about 25 miles west of Cleveland. The proposed consolidation would have only a negligible effect on the banking needs and convenience of the area presently served by Elyria Savings.
Competition. - The head office of Elyria Savings is approximately 17 miles northeast of Wellington, and its branches are at an equal or greater distance from Wellington. The Grafton Savings Company and its branch at Lagrange, the Oberlin Savings Bank Company at Oberlin and its branch at Kipton, and the Oberlin branch of Lorain County Savings and Trust Company are about equidistant between Elyria and Wellington. There is no overlap of the service areas of Elyria Savings and First Wellington.

The consolidating banks have very few, if any, common depositors or borrowers, and there are no deposits or loans of significance in either bank originating in the service area of the other. Thus, it appears that there is no competition of consequence between the two institutions.

Lorain County is served by ten banks, including a branch of the Cleveland Trust Company, Cleveland, Ohio. Elyria Savings currently ranks third in size in the county and second in size in Elyria with respect to deposits of individuals, partnerships, and corporations ("IPC deposits"). The proposed consolidation would increase the percentage of IPC deposits held by Elyria Savings from 16.3 per cent to 19 per cent of total county deposits, and Elyria Savings would become the second largest bank in Lorain County.

This proposed consolidation would increase the size of Elyria Savings and probably intensify the competition with which banks in Oberlin and Grafton would be confronted. While it would increase
somewhat the competitive strength of Elyria Savings, the consolidation would appear to have only a limited effect on other banks in Elyria or in Lorain County generally.

Summary and conclusion. - The proposed consolidation of Elyria Savings and First Wellington would provide broader banking services to the Wellington area. At the same time, it would eliminate little if any competition, since virtually none exists between these two institutions. Elyria Savings might be in a position to provide more effective competition for the largest bank in the county, but without creating an environment in which smaller banks would find it difficult to operate profitably. Accordingly, the Board finds that the proposed consolidation would be in the public interest.

December 18, 1961.
CONFIDENTIAL (F.R.)

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

December 19, 1961

In accordance with the request contained in your letter of December 1, 1961, the Board approves the appointment of John Zimmer as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

It is noted that Mr. Zimmer is indebted to Garrettsville Branch of The Portage County National Bank of Kent, Kent, Ohio, in the amount of $3,000. Accordingly, the Board's approval of Mr. Zimmer's appointment is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.