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Minutes for January 4, 1962

To: Members of the Board

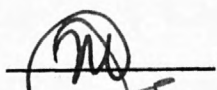
From: Office of the Secretary

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

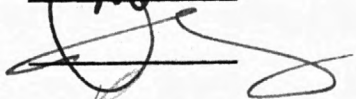
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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

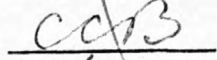


Gov. Mills

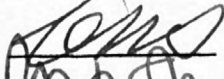


Gov. Robertson

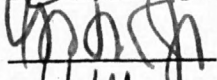
Gov. Balderston



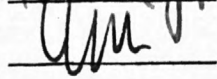
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System
on Thursday, January 4, 1962. 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
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Hooff, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Thompson, Assistant Director, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on January 2, 1962, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

Conversion of time certificates. Inquiries had been received from several Federal Reserve Banks, including an inquiry in the form of a letter from Counsel at the Detroit Branch of the Federal Reserve Bank of Chicago, concerning whether a six-month certificate of deposit could be converted into a 12-month certificate bearing interest at the rate of 4 per cent. A memorandum from the Legal Division dated January 3, 1962, which had been distributed, submitted a draft of reply to Counsel at the Detroit Branch. The proposed letter, which if approved also

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would be sent to all Federal Reserve Banks, took the position that such conversion was permissible, but that the 12-month period must run from the date of conversion. In other words, no portion of the time the certificate had run before the date of conversion could be included in the 12-month period. However, it was understood that some Reserve Banks had taken the position that those months in 1961 that the certificate had run before conversion could be included, although the 4 per cent rate should not be paid for months prior to January 1, 1962. The memorandum noted that the Board had permitted the inclusion of 1961 months in determining whether 12 months had run for the purpose of paying 4 per cent interest on savings deposits after January 1, 1962; also that the Board had permitted the inclusion of 1961 months in paying interest at 3-1/2 per cent on a six-month time deposit after January 1, 1962. Accordingly, it was noted that the Board might wish to take a position more liberal than would be stated in the proposed letter with respect to the conversion of a six-month certificate into a 12-month certificate, where the former was issued originally at a time when there was no reason for the issuance of a 12-month certificate to obtain a higher rate of interest. Should the Board wish to adopt the more liberal position, there was included in the memorandum a paragraph that might be added to the proposed letter.

In discussion, Mr. Hooff said that a copy of the proposed letter had been transmitted to the staff of the Federal Deposit Insurance

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Corporation, which agreed with the position taken in the letter but had not made up its mind with regard to the provision included in the paragraph that had been suggested for possible addition to the letter.

It was also stated, by Mr. Hackley, that the Board of Directors of the Federal Deposit Insurance Corporation was going to meet this afternoon and that it was thought probable, according to the Corporation staff, that the directors would go along with the liberal position stated in the suggested additional paragraph. One possible procedure would be to wait and learn of the position of the Corporation and then bring the matter back to the Board for further consideration. However, there was some urgency. Therefore, if the Board agreed with the liberal position, it might wish to authorize the sending of the proposed letter, including the final paragraph, subject to advice that the Federal Deposit Insurance Corporation had taken a similar position. If the Corporation did not take such a position, however, the matter could be brought back to the Board.

There followed comments on the fact that in the case of a savings account the Board had interpreted Regulation Q to permit the payment of interest at the maximum rate of 4 per cent, after January 1, 1962, if the savings account had been maintained with a member bank for a period of at least one year.

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After Messrs. Hackley and Hooff had replied to several questions, asked with a view to clarifying various aspects of the problem, the members of the Board indicated that they were inclined to agree with the more liberal position described in the memorandum from the Legal Division. According to this position, the Board would not object to payment of interest at a rate of 4 per cent from and after January 1, 1962, on a deposit originally represented by a six-month certificate issued before that date, where the certificate was amended or exchanged so as to mature 12 months after the date of issuance of the original certificate. It was noted that such a position could be said to be generally consistent with the position that the Board had adopted in respect to savings accounts, and also with the Board's position that a 12-month certificate issued prior to January 1, 1962, could be amended to provide for payment of 4 per cent interest from and after that date. Governor Shepardson indicated that it was only on the theory of consistency that he would go along with the liberal interpretation; he added that he now regretted that the Board had previously taken the aforementioned position in the case of savings accounts.

Accordingly, it was agreed unanimously that if advice should be received that the Federal Deposit Insurance Corporation concurred in the liberal interpretation, the proposed letter would be sent in a form that would include such an interpretation, but that otherwise the matter would be brought back to the Board for further consideration.

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Secretary's Note: In the light of information received from the Federal Deposit Insurance Corporation, the matter was reconsidered at the meeting of the Board on January 5, 1962.

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 First McKinley Corporation, Glenwood Springs, Colorado, granting its request for a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act. | 1 |
| Telegram to the Federal Reserve Agent at San Francisco authorizing the issuance of a limited voting permit to Western Bancorporation, Los Angeles, California, covering its stock in Southern Arizona Bank and Trust Company, Tucson, Arizona. | 2 |

Mr. Thompson then withdrew from the meeting.

Proposed merger of Bank of Delevan. There had been distributed to the Board a memorandum from Mr. Solomon dated January 2, 1962, with reference to the proposed absorption of the Bank of Delevan, Delevan, New York, by The Citizens Central Bank, Arcade, New York. Substantial losses had been incurred by the Bank of Delevan as the result of a check kiting operation. The memorandum indicated that the circumstances would seem to justify action by the Board under the 10-day provision of the

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bank merger legislation. Under that provision the usual 30-day period for publication of notice and for furnishing of competitive factor reports could be reduced to 10 days if the agency passing on the application advised the Attorney General and the other two Federal bank supervisory agencies that an emergency existed requiring expeditious action. It was recommended that the staff be authorized to advise the Attorney General and the other two banking agencies pursuant to the 10-day provision when the application was received and copies were forwarded to those organizations.

In discussion, it was noted that the bank merger legislation provided for even more expeditious action "in order to prevent probable failure of one of the banks involved." Mr. Solomon indicated, however, that the staff had some question whether the case under consideration would qualify under that provision, and the New York Reserve Bank had expressed the view that an invoking of the 10-day provision would be sufficient. Mr. Solomon further stated that copies of the application were expected to be received from the Federal Reserve Bank of New York within the next day or two.

The sentiment expressed by the Board was that the processing of the matter should be expedited in every way possible under the 10-day provision. In this connection, Mr. Hackley noted that when the matter came before the Board for decision the Legal Division could have drafts of an order and supporting statement available for consideration

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and immediate issuance if approved. In this case, also, the usual requirement of a seven-day period from the date of the order before the merger could be consummated might be eliminated.

Secretary's Note: In the light of additional information received from the New York Reserve Bank, the matter was discussed further at the meeting of the Board on January 5, 1962.

Applications of Chase and Chemical. With reference to the pending applications of The Chase Manhattan Bank and Chemical Bank New York Trust Company, both of New York City, to acquire by merger certain banks in Nassau County, on which oral presentations were scheduled to be held on January 19, 1962, Mr. O'Connell reported that counsel for both banks had called him on the telephone and indicated the portions of the applications that it was felt should be kept confidential. There had followed discussion by telephone between the Board's staff and the staff of the New York Reserve Bank, following which agreement was reached with the applicant banks as to portions of the applications that would be held confidential. This did not include all of the material that had been originally suggested by the applicant banks.

Mr. O'Connell then described the portions of the applications that it was proposed to keep confidential, following which he responded to a number of questions raised by the members of the Board concerning this material. At the conclusion of the discussion, no objection was indicated to keeping confidential the portions of the applications described by Mr. O'Connell.

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In this connection it was noted that copies of the applications had been requested, first from the Board but later from the applicant banks, by a representative of Congressman Celler, Chairman of the House Judiciary Committee. It was understood that the applications had been furnished by the applicant banks, with the material referred to by Mr. O'Connell deleted.

Also in connection with the oral presentations to be heard on January 19, Mr. O'Connell noted that the time for filing requests to appear and make statements was to expire tomorrow. He stated that if agreeable to the Board, the right to appear and make statements would be granted to those who had so requested, and no objection was indicated.

Governor Mills inquired whether it was intended that the names of those who were granted the right to appear would be made public.

Mr. O'Connell replied that it had been his intent to identify to the applicant banks the names of the persons who had been granted permission to appear. As to the furnishing of the names to others, he had no plan. He recalled, however, that the names of those persons who had requested to appear at the hearing on December 7, 1961, concerning the application of Morgan New York State Corporation had, with the Board's permission, been released.

Governor Mills recalled that when this question came up in the Morgan case, he had been much concerned. He had noted, subsequently, that one bank president in upper New York State who asked to appear

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later withdrew his request. The Board, he added, might want to reach a decision today, or have the matter come back for further consideration if any reason arose to furnish the names of individuals who sought to appear at the oral presentations on January 19. He went on to say that he would not favor publishing such names, but that he did not know the position of the other members of the Board.

Governor Robertson stated that it was his view that when anyone made a request to testify on such an occasion and the request was granted, that person assumed a certain responsibility. He doubted that the Board could appropriately withhold from an inquirer the names of people who had asked to appear at a public proceeding, the record of which would also be public. In other words, he would furnish such information in response to such legitimate inquiries as might be received.

Other members of the Board indicated that they would agree with the view stated by Governor Robertson.

Governor Mills said that he thought Governor Robertson had made a strong point. He went on to say that, as he now understood it, there would be no official publication of the list of names. The staff would volunteer nothing, but it would not refuse to supply the names if asked.

This was indicated to be the procedure that the staff would have in mind. Accordingly, it was understood that such a procedure would be followed, not only in the case of the two applications on which oral presentations were to be heard on January 19, but also in the case of

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the application of Whitney Holding Corporation, New Orleans, Louisiana, on which a public oral presentation was to be heard on January 17.

The meeting then adjourned.

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

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

Salary increase

Lucile R. MacLean, Librarian, from \$6,930 to \$7,095 per annum, effective January 7, 1962. (Division of Research and Statistics)

Transfer

Janice L. Jarman, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Research and Statistics, with no change in her basic annual salary at the rate of \$4,040, effective January 7, 1962.

Additional leave without pay

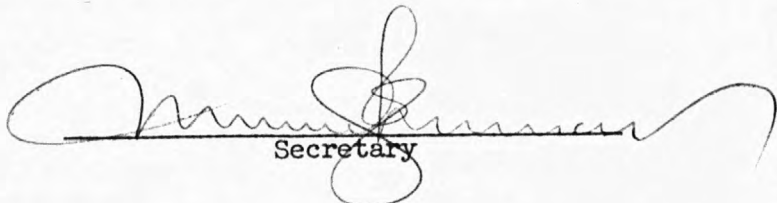
Lettie Reddick, Charwoman, Division of Administrative Services, for the period December 24, 1961, through January 31, 1962.

Permission to engage in outside activity

John T. McClintock, Review Examiner, Division of Examinations, as thesis counsellor for The Stonier Graduate School of Banking.

Memorandum dated January 3, 1962, from Mr. Hackley, General Counsel, recommending that a new secretarial position at a Grade FR-6 level be established in the Legal Division in connection with the recent establishment of an additional position of Assistant General Counsel, and that one of the presently vacant Senior Attorney positions and a vacant stenographic position (Grade FR-4) be abolished.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 3) approving the designation of 41 persons as special assistant examiners.


Secretary

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

Item No. 1
1/4/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1962



Mr. G. B. McKinley, Secretary,
First McKinley Corporation,
Glenwood Springs, Colorado.

Dear Mr. McKinley:

This refers to the request contained in your letter of November 8, 1961, submitted through the Federal Reserve Bank of Kansas City, for determination by the Board of Governors of the Federal Reserve System, as to the status of First McKinley Corporation as a holding company affiliate.

The Board understands that First McKinley Corporation is engaged principally in the insurance brokerage business; that such Corporation is a holding company affiliate by reason of the fact that it owns 17,674 of the outstanding 30,000 shares of stock of First National Bank of Glenwood Springs, Glenwood Springs, Colorado; and that the Corporation does not, directly or indirectly, own or control any stock of any other banking institution, or manage or control, any banking institution other than First National Bank of Glenwood Springs.

In view of these facts, the Board has determined that First McKinley 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, as amended; 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 First McKinley 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 further determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities

Mr. G. B. McKinley

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of the Corporation result in its attaining a position whereby the Board may deem desirable a determination 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.

TELEGRAM
LEASED WIRE SERVICE

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

January 4, 1962

Whitman - San Francisco

KECEA

- A. Western Bancorporation, Los Angeles, California
- B. Southern Arizona Bank and Trust Company, Tucson, Arizona
- C. None.
- D. At any time prior to April 1, 1962, at the annual meeting of shareholders of such bank, or any adjournments thereof, (1) to elect directors and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank; (2) to change the date of the annual meeting of shareholders from the second Tuesday in January to the fourth Tuesday in January; and (3) to approve certain contracts relating to pension and insurance matters. STOP

Please forward copy of permit issued by your Bank to the Dallas Reserve Bank. (Signed) Elizabeth L. Carmichael
Carmichael

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
1/4/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1962



Mr. Hugh J. Helmer, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of December 22, 1961, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Chicago for the purpose of participating in examinations of State member banks only:

Adams, Robert J.
Banner, Loren W.
Bara, Edwin J.
Bara, Stanley M.
Beattie, Walter S.
Clise, Kenneth Jr.
Colucci, Anthony
Conlan, Don R.
Conrad, William C.
Cook, Robert W.
Denesha, Leslie B.
Dominick, Frederick S.
Flannery, G.
Foley, D. R. Jr.
Follmer, John
Gibson, Thomas F.
Gossett, Ronald R.
Horbal, William E.
Johnston, Harry E.
King, Robert J.

Larkin, Dale W.
Lazevnick, Joseph
Mahs, Donald E.
McNally, Jack F.
Mickiewicz, Theodore F.
Mills, Walter
Mitchell, R. A.
Moore, Gerald T.
Morawski, Anthony
Nelson, Lyle F.
Nordbeck, W. C.
Pearson, Frederick A.
Purol, Louis J.
Reame, Raymond A.
Rentenbach, G.
Ruff, Donald W.
Schindler, Albin
Simms, Richard L. Jr.
Sparbeck, James C. Jr.
Woodling, F. F.

Wotherspoon, Walter

The authorizations heretofore given your Bank to designate the above-named employees as special assistant examiners are hereby canceled.

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.