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Minutes for January 10, 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

M

Gov. Mills

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

Shep

Gov. King

King

Gov. Mitchell

Mitchell

Minutes of the Board of Governors of the Federal Reserve System on
Wednesday, January 10, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Hexter, Assistant General Counsel
Mr. Chase, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Thompson, Assistant Director, Division of
Examinations
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Fuerth, Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on January 8, 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 that Bank.

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:

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	<u>Item No.</u>
Letter to The Scottsbluff National Bank, Scottsbluff, Nebraska, approving its application for fiduciary powers.	1
Letter to Citizens Bank of Pacific, Pacific, Missouri, approving an investment in bank premises.	2
Letter to The Patchogue Bank, Patchogue, New York, approving the establishment of a branch in the Town of Brookhaven.	3
Letter to Security Trust Company of Rochester, Rochester, New York, approving the establishment of a branch in the Town of Irondequoit.	4

Bank Holding Company Act. Pursuant to the understanding at the meeting on January 8, 1962, there had been distributed a memorandum prepared by the Legal Division under date of January 9, 1962, submitting a revision of the language of a proposed amendment to section 3(a)(1) of the Bank Holding Company Act, as follows:

Sec. 3. (a) It shall be unlawful except with the prior approval of the Board (1) for any action to be taken which results in a bank becoming a bank holding company, or any other company becoming a bank holding company with respect to more than one subsidiary bank;....

The memorandum indicated that the language, as redrafted, would cover a minor loophole that had been pointed out by Mr. Solomon. Also, at the meeting on January 8 a question had been raised as to whether the proposed language would unduly complicate the law. In this connection, the memorandum stated that the Legal Division felt the proposed refinement of the "one-bank" definition would not seriously complicate the

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matter. The Bank Holding Company Act was not susceptible of interpretation by the man in the street, but it was felt that the amendment, as now proposed, would be understandable to the legal advisers of prospective bank holding companies. Further, the benefits of the proposed provisions were believed to outweigh any loss of simplicity.

During a discussion, in the course of which a number of questions were asked for the purpose of clarification, Governor Mitchell indicated that he would continue to have a preference for an amendment to the Act along the lines originally contemplated. However, he had no strong objection to the language now proposed and would go along with it. Other members of the Board expressed no reservations.

Accordingly, the proposed amendment to section 3(a)(1) of the Bank Holding Company Act, as submitted by the Legal Division in its memorandum of January 9, 1962, was accepted for use in connection with legislative proposals that the Board might submit at this session of the Congress.

Mr. Thompson withdrew from the meeting at this point.

Application of Citizens Commercial & Savings Bank (Item No. 5).

On December 27, 1961, with four members of the Board present, consideration was given to a request by Citizens Commercial & Savings Bank, Flint, Michigan, for reconsideration of the Board's decision of June 19, 1961, denying an application for consolidation with the Old Corunna State

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Bank, Corunna, Michigan. Following discussion, consideration of the matter was deferred until additional members of the Board were available.

Responding to a request from the Chairman, Mr. Solomon reviewed the background of the case and developments leading up to the decision of December 27 to defer discussion of the request for reconsideration.

Mr. Leavitt reported that subsequent to the meeting on December 27 he had telephoned the Federal Reserve Bank of Chicago and asked that the State Commissioner of Banking's office be contacted to determine whether the State authorities had granted an extension beyond December 31, 1961, of their approval of the proposed consolidation. Upon checking, the Reserve Bank had been informed that the Commissioner's office did not wish to make any comment regarding the case. It was also learned, however, that the boards of directors of the banks involved in the proposed consolidation had extended their consolidation agreement beyond the December 31, 1961, date. In the circumstances, if the Board should decide to reverse its denial of the application, it might want to ask the Commissioner for an expression of views before notifying the applicant bank.

Governor Robertson noted that when the present State Commissioner of Banking visited the Board's offices recently, he reportedly had expressed to the staff some reservation with respect to extending the State approval of the proposed merger beyond December 31, 1961. The Board's position always had been that it would not approve an application

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unless the application had been approved by the State authorities. In his opinion, therefore, since there had been an expression of doubt on the part of the new Commissioner regarding an extension of State approval in this case, the Board should find out whether the State approval was still in effect.

Governor Mills said that as he understood the question, the absence of a definite extension of the State Commissioner's approval did not necessarily quash the application; the banks' directors had extended the consolidation agreement, presumably with the knowledge of the State Commissioner. The question would be whether the State Commissioner--the incoming Commissioner--would wish to reverse the action of his predecessor. The matter of reversing a predecessor's decision would concern any public official, and that might account for the present Commissioner's unwillingness to express himself. If the Board should reaffirm its previous denial, that would end the matter. If the Board should decide to approve, upon reconsideration of the application, it should explain to the State Commissioner exactly what had transpired before notifying the two banks involved.

After a further discussion focused on the question whether definite information on the status of the State approval should be sought from the State Commissioner, Mr. Hackley noted that although as a matter of practice the Board had refrained from acting on branch and merger applications until after the appropriate State authorities

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had granted their approval, there was nothing in the statutes that would prevent the Board from approving an application prior to the approval of the State authorities. The applicant bank, of course, had to obtain the approval of both the Board and the State, but there was no statutory reason why Board approval could not be given first. Mr. Hackley went on to observe that in this particular case the State authorities might feel that there was no need for them to extend the date of State approval in view of the fact that the record reflected disapproval by the Board of the proposed merger. In other words, on the basis of the record the present State Commissioner might assume that action by him would be academic in light of the Board's rejection of the proposal.

The discussion then turned to a further examination of the reasons why it was decided to defer consideration of the matter at the December 27 meeting, following which Chairman Martin commented that in his opinion the best procedure would be for the Board to reaffirm its original decision. As he understood it, the Division of Examinations did not feel that the additional information submitted was sufficient to warrant reversal of that decision.

This was confirmed by Mr. Leavitt, who added that originally the Board had expressed the view that the proposed consolidation would increase the already high degree of concentration of banking resources in the trade area concerned. There had been no change in that regard, and approval of

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the application would constitute a reversal of the earlier finding on the part of the Board.

Chairman Martin then repeated that in all the circumstances he would believe that the best procedure would be to reaffirm the original decision, and he so proposed.

Governor Mills stated that he would again vote for approval of the proposed consolidation. He went on to say that in his own mind he was not satisfied that the Board was giving a complete scrutiny to the application, including the competitive elements involved and the geographical area concerned. This was a rather densely populated area, with diverse alternative sources of banking services located within easy distance. In his opinion, the absorption of the Corunna bank would not result in giving the applicant bank any position of overwhelming dominance.

Governor Mills had also referred earlier to the fact that subsequent to the Board's original denial of the instant application, the applicant bank's proposal to acquire a bank in Chesaning, which was then pending, had been denied by the State banking authorities. Accordingly, the applicant bank's opportunity to expand in the Chesaning area had been eliminated. Therefore, if the Corunna application were approved, the applicant bank's operations would not encompass so broad a trading area as though the Chesaning application were also in the picture.

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Chairman Martin then commented that ordinarily, as a matter of procedure, it might be better to arrange an oral presentation to develop more fully various points such as those to which Governor Mills had referred. However, in the circumstances of the present case, including the several complications involved, he felt that the most clean-cut procedure would be to reaffirm the decision that the Board had made by a 3-1 vote on June 19, 1961.

Governor Shepardson, one of the three members who had voted originally to deny the application, said he would concur in the Chairman's approach. As he recalled, this was regarded as a close case at the time it first came before the Board. If this case were now coming before the Board for original consideration, the fact that the Chesaning application had been turned down might have some influence on his thinking. In light of all the circumstances, however, he felt that the best thing to do at this point was to reaffirm the original decision.

In further discussion, Governors Balderston, King, and Mitchell, who did not participate in the original decision on the application, indicated that they would not object to a disposal of the matter by reaffirmation of the denial of the application. Governor Mills noted, in this connection, that participation by those members in a decision to reaffirm might create an appearance on the record that there had been a thorough re-examination of the whole proposal by the full Board, which

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after full deliberation had denied the application by a 6-1 vote. In his opinion, it would be more appropriate to proceed on the basis of the votes of those Board members who participated in the original decision.

Question was raised at this point whether there was need for the issuance of an order and statement on this matter. Mr. Hackley indicated that he did not feel this would be necessary if the decision was simply to reaffirm a decision reached at a time when the Board was not yet following the practice of issuing orders and statements in merger cases. If the Board should change its original decision, however, an order and statement might be called for.

Thereupon, the decision to deny the application was reaffirmed, Chairman Martin and Governors Robertson and Shepardson voting to reaffirm, Governor Mills dissenting, and Governors Balderston, King, and Mitchell abstaining. A copy of the letter sent to Citizens Commercial & Savings Bank regarding this disposition of the request for reconsideration of its application is attached as Item No. 5.

Mr. Thomas withdrew from the meeting at this point.

Question under section 32 (Item No. 6). In a letter dated August 7, 1961, the Federal Reserve Bank of New York raised the question whether section 32 of the Banking Act of 1933 would prohibit Mr. Henry U. Harris, a partner of Harris, Upham & Co., New York, New York, from continuing to serve as a director of the Chemical Bank New York Trust

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Company. In this connection, there had been distributed a memorandum dated January 5, 1962, from the Legal Division in which a review of the question was made and three alternative approaches to the problem were suggested as follows:

1. Notify the Federal Reserve Bank that Harris, Upham & Co. was not regarded as "primarily engaged" in section 32 business. This position would be based principally upon the view that it would seem inconsistent with the statute to hold section 32 applicable where the percentage of total gross income was as small as it was on the basis of facts presented in this case.
2. Inform the Federal Reserve Bank that Harris, Upham & Co. was regarded as "primarily engaged" in section 32 business. This view would be based on the large dollar amount of the section 32 business in which the company engaged.
3. In a letter to the Federal Reserve Bank, recognize that the case was a close one and also that figures for Harris, Upham & Co. for the year 1961 would be available before too long. The Board might then indicate its preference not to take a definite position with respect to the case at this time, but ask the Reserve Bank to review the matter in the light of the 1961 information when it became available.

In commenting upon the Legal Division's memorandum, Mr. Hackley said that this case presented a knotty problem. The main question, however, was whether emphasis should be placed upon the dollar volume of section 32 business or upon the volume of section 32 business in relation to a firm's total business. As pointed out in the memorandum, several members of the legal staff had considered the Harris, Upham case, and there were varying views. Some felt that the large dollar

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volume of section 32 business was the significant factor; others had expressed the opinion that even though dollar volume might be significant, the question was whether the company was engaging in a substantial portion of section 32 business relative to its total volume of business. The latest available figures were for 1960; one approach, therefore, would be to ask the Federal Reserve Bank to obtain 1961 figures and to defer a decision until those figures were available.

There followed an extensive discussion of the meaning of "primarily engaged", as used in the statute, and its application to this particular case. Consideration was also given to certain decisions the Board had made in the past and to the essence of the Supreme Court decision in Board of Governors v. Agnew, 329 U.S. 441. During this discussion, some of the members of the Board indicated that if a decision on the Harris, Upham case were made today, they would be inclined to consider the firm "primarily engaged" in section 32 business; other members indicated that they would be inclined to take the opposite position.

The suggestion then was made that in view of the difficult nature of the case a decision be deferred until 1961 figures on the business of Harris, Upham & Co. could be obtained and analyzed. Agreement having been expressed with this suggestion, it was understood that the Federal Reserve Bank of New York would be notified of the status of the matter. A copy of the letter sent to the New York Reserve Bank in this connection is attached as Item No. 6.

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Messrs. Chase, Shay, and Leavitt then withdrew from the meeting.

Interest payable on savings deposits in New York State (Item No. 7).

There had been distributed a memorandum from the Legal Division dated January 9, 1962, regarding a letter of January 2, 1962, from the Federal Reserve Bank of New York with respect to maximum rates of interest payable on savings deposits in New York State. Attached to the memorandum was a draft of a proposed reply.

As stated in the Legal Division's memorandum, under the regulations of the New York State Banking Board, effective January 1, 1962, a State commercial bank could not pay more than 3-1/2 per cent on a savings deposit during the first 12 months of such deposit; it could pay up to 4 per cent beginning only after the expiration of such 12 months. A mutual savings bank, on the other hand, could not pay more than 3-3/4 per cent during the first 12 months; it could pay an unrestricted rate after the end of such period.

The memorandum further stated that the question at issue was the maximum rate that could be paid by national banks in New York State during the first 12 months of a savings deposit, in the light of the provision of section 24 of the Federal Reserve Act which in effect provided that the rate paid by a national bank could not exceed the maximum rate authorized by State law for "State banks or trust companies."

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The memorandum went on to say that discussion of the question with the staff of the Federal Reserve Bank of New York had resulted in agreement that the only logical conclusion was that, by virtue of the New York State regulations, national banks in New York, like State mutual savings banks, could pay interest at a rate up to 3-3/4 per cent during the first 12 months of a savings deposit.

The draft of proposed reply recommended by the Legal Division therefore took the position that national banks could pay the maximum rate provided by State law for any category of State banks, including mutual savings banks, during the first 12 months. This meant that a national bank in New York State could pay an effective rate of up to 3-3/4 per cent, for any period after January 1, 1962, on that part of a savings deposit that had remained continuously on deposit for 12 months, including months in 1961. Thereafter, it could pay interest at a rate not in excess of 4 per cent.

The memorandum pointed out that this position would be in accord with the position taken by the Board in 1938 in a similar situation. However, State commercial banks (including State member banks) would be restricted by the State regulations to a maximum rate of 3-1/2 per cent during the first 12-month period. It was recognized that the adoption of such a position by the Board might cause the State Banking Board to wish to reconsider the matter. Therefore, the proposed reply would indicate that the Board's position should be brought to the attention of the State banking authorities before it was made public by the New York Reserve Bank.

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In reviewing the question, Mr. Hackley commented that Mr. Treiber, First Vice President of the Federal Reserve Bank of New York, had suggested that if the Board adopted the position recommended by the Legal Division, it might be well, before that decision was announced publicly, to inform the State banking authorities and give them an opportunity to express their views. Perhaps the State Superintendent of Banks would want to discuss the matter with the Board personally.

Mr. Hackley said, in conclusion, that the Legal Division felt that the position reflected in the draft of letter to the New York Reserve Bank was the only one that would be consistent with the provisions of section 24 of the Federal Reserve Act.

Governor Mills stated that he agreed with the Legal Division that this was the only position, within the compass of the law, that the Board could take. However, he also felt that it was important to acquaint the State banking authorities with this position so that they could offer rebuttal or adjust their regulations to conform with the Board's legal responsibility. In his opinion, the Board's responsibility was inescapable.

Mr. Hackley commented that the New York Reserve Bank had at first suggested that one approach might be for the Board not to apply the so-called "retroactive" interpretation as far as New York State was concerned. However, it was the feeling of the Board's staff, with which the Reserve Bank's legal staff eventually agreed, that such an approach

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would not be justified. The Bank had suggested at first that such an approach might be followed on the basis of the Board's authority to fix different maximum interest rates for different sections of the country. However, this question did not involve geographical considerations; it resulted from regulations adopted by the New York State Banking Board.

Governor Robertson also expressed agreement with the position taken by the Legal Division. He felt that national banks in New York State had a right to be informed of the Board's position and that announcement thereof should not be held up indefinitely. In his opinion, the State Superintendent should not be invited to come down and express views to the Board. He should be informed, however, of the Board's position. That information having been furnished, the State authorities should be given a chance to take action under the State statutes if they so desired.

Governor Mitchell commented that the Board should not entertain an argument to do something illegal, and Governor Balderston commented that the Board should make it clear to the State Superintendent that its hands were not free in this matter.

There followed discussion of the so-called "retroactive" feature and its relationship to the problem under consideration. In reply to questions, Messrs. Hackley and Hexter explained that the Board had interpreted Regulation Q, at the time the current maximum permissible

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interest rates were adopted, as permitting the payment of interest on a savings deposit at the maximum rate of 4 per cent after such deposit had been maintained at a bank for a period of 12 months. They pointed out that the term "retroactive" was misleading: if a bank credited interest on an annual basis, it would simply be able, after January 1, 1962, to pay a rate of 4 per cent on funds that had been held with it for a period of 12 months. Further, unless months in 1961 were permitted to be included in the crediting of interest at the 4 per cent rate, that would mean in effect that the 4 per cent maximum rate on savings deposits would not really become effective until January 1, 1963. They indicated that they would be reluctant to recommend applying a different interpretation in one State and continuing the existing interpretation in other States. As to revising the interpretation in its applicability in all States, the possibility of a different interpretation was carefully considered at the time the maximum permissible rates of interest were increased. However, it was concluded that such an interpretation would place savings depositors at a disadvantage in relation to holders of time certificates of deposit.

Chairman Martin then suggested that the proposed letter be sent to the Federal Reserve Bank of New York but that the Board's position be discussed with Mr. Treiber, who was in the Federal Reserve Building today, on the basis that the Board's position, as stated in the letter, would not be announced until after advice thereof had been given to the

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New York State Superintendent of Banks. It could then be ascertained whether the State authorities would want to change the State regulations in line with the Board's decision and would like to have a reasonable amount of time in order to make such a change. If it seemed necessary in the light of discussion with the State authorities, the matter could be brought back to the Board for further consideration.

Agreement having been expressed, the letter to the New York Reserve Bank was approved unanimously, with the understanding that a procedure such as suggested by Chairman Martin would be followed. A copy of the letter to the New York Bank is attached as Item No. 7.

The members of the staff then withdrew and the Board went into executive session.

Travel by Messrs. Young and Wood. The Secretary was informed later that during the executive session the Board authorized travel by Mr. Young, Adviser to the Board and Director, Division of International Finance, and Mr. Wood, Associate Adviser, Division of International Finance, to Paris, France, during the period January 13-18, 1962, to attend a meeting of Working Party 3 of the Economic Policy Committee of the Organization for Economic Cooperation and Development to be held January 16-17. The authorizations were for travel on an actual expense basis including, in the case of Mr. Young, official entertainment.

Services of Mr. Grobel (Item No. 8). The Secretary also was informed that during the executive session the Board approved an

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arrangement with the Federal Reserve Bank of Minneapolis whereby R. K. Grobel, Chief Examiner, would spend a period of approximately four months in the Board's offices beginning on or about January 15, 1962. A copy of the letter sent to the Minneapolis Reserve Bank pursuant to this action is attached as Item No. 8.

The meeting then adjourned.

Secretary's Notes: On January 9, 1962, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 9) approving the appointment of Alfred A. Bevacqua, Jr., as assistant examiner.

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:

Salary increases, effective January 21, 1962

Division of Examinations

Alexander J. Harris, Jr., Assistant Review Examiner, from \$6,435 to \$6,600 per annum.

Linwood N. Tyndall, Assistant Federal Reserve Examiner, from \$6,765 to \$6,930 per annum.

Division of Bank Operations

Mary M. Durkan, Technical Assistant, from \$9,215 to \$9,475 per annum.

Mary Patricia Barlow, Statistical Assistant, from \$5,160 to \$5,325 per annum.

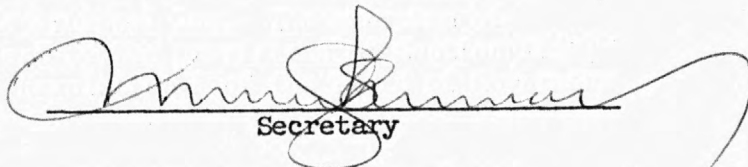
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Transfer and salary increase

Gertrude E. Booth, from the position of Secretary in the Office of the Secretary to the position of Secretary in the Legal Division, with an increase in her basic annual salary from \$4,510 to \$4,830, effective the date she assumes her new duties.

Governor Shepardson also approved today on behalf of the Board a letter to the Bureau of Employees' Compensation, Department of Labor, in connection with a claim filed by an employee of the Board under the District of Columbia Workmen's Compensation Act. The letter transmitted (1) a form denying that the Board and the employee were subject to the Act at the time of the alleged injury, and (2) a copy of a letter sent by the Board on August 31, 1939, to the United States Employees' Compensation Commission expressing the opinion that the aforementioned Act was not applicable.


Secretary

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

Item No. 1
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962

Board of Directors,
The Scottsbluff National Bank,
Scottsbluff, Nebraska.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Scottsbluff National Bank authority to act, when not in contravention of State or local law, as executor, administrator, guardian of estates, committee of estates of lunatics, and agent for management of farm and ranch property. The right to act as agent for management of farm and ranch property may be exercised only to the extent that State banks, trust companies or other corporations which come into competition with national banks are permitted so to act under State or local law. The exercise of such rights also 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.

A certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure



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

Item No. 2
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962

Board of Directors,
Citizens Bank of Pacific,
Pacific, Missouri.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by Citizens Bank of Pacific, Pacific, Missouri, of \$3,015.23.

This approval is to cover an expenditure of \$2,015.23, which your bank spent on banking premises in excess of approvals previously granted by the Board of Governors. This approval also covers an additional amount of approximately \$1,000 in accordance with your request dated November 30, 1961, addressed to the Federal Reserve Bank of St. Louis.

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. 3
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962

Board of Directors,
The Patchogue Bank,
Patchogue, New York.

Gentlemen:

The Board of Governors approves the establishment by The Patchogue Bank, Patchogue, New York, of a branch in the vicinity of the intersection of Jericho Turnpike (Route 25) and the Patchogue-Port Jefferson Highway (Route 112), Unincorporated Area of Coram, Town of Brookhaven, Suffolk County, New York, provided the branch is established within one year from the date of this letter.

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. 4
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962

Board of Directors,
Security Trust Company of Rochester,
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Security Trust Company of Rochester, Rochester, New York, of a branch in the Empire Plaza on Empire Boulevard between Helendale Road and Cliffordale Park, Town of Irondequoit, Monroe County, New York, provided the branch is established within six months from the date of this letter.

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. 5
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962

Board of Directors,
Citizens Commercial & Savings Bank,
Flint, Michigan.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of Chicago, for reconsideration by the Board of its disapproval of the proposed consolidation of Citizens Commercial & Savings Bank, Flint, Michigan, and The Old Corunna State Bank, Corunna, Michigan. After consideration of the additional information presented, the Board has concluded that it would not be warranted in changing the position taken on June 21, 1961, denying the consolidation.

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
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 10, 1962

Mr. H. A. Bilby,
Vice President,
Federal Reserve Bank of New York,
New York 45, New York.


Dear Mr. Bilby:

Reference is made to your letter of August 7, 1961, and its enclosures, concerning whether Mr. Henry U. Harris, who is a partner in the firm of Harris, Upham & Co., New York City, may continue lawfully to serve at the same time as a director of the Chemical Bank New York Trust Company, New York City, in view of the prohibition in section 32 of the Banking Act of 1933 as amended.

Your letter and its enclosures, which presented and discussed information relevant to the case for the years 1957 through 1960, has been helpful. However, as your letter in effect recognized, whether Harris, Upham & Co. should be regarded as "primarily engaged" in business of the kind described in section 32 on the basis of that information presented a close question, especially in view of the percentage of the firm's total gross income attributable to section 32 business.

In its consideration of the matter, the Board concluded that, in the circumstances, the preferable course at this time would be to withhold a definitive view in the matter until the relevant data for the year 1961 becomes available. Accordingly, the Board would appreciate receiving from your Bank information for 1961 of the kind submitted for the four previous years and also the benefit of such comments as you may wish to make in the light of your further review of the matter on the basis of the additional information.

Very truly yours,


Merritt Sherman,
Secretary.

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

Item No. 7
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962



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 January 2, 1962, with respect to that portion of General Regulation No. 3 of the New York State Banking Board, as amended, effective January 1, 1962, which prohibits commercial banks and trust companies from paying interest on savings deposits in excess of 3-1/2 per cent during the first 12 months that such deposits are continuously on deposit and which, unlike the Board's Regulation, permits payment at 4 per cent only for any period after the expiration of such 12 months. The State Regulation also applies to mutual savings banks but permits such banks to pay interest for the first 12-months period at a maximum rate of 3-3/4 per cent and imposes no restriction on the rate of interest payable by such banks after such period.

Under the provisions of section 24 of the Federal Reserve Act and section 217.3(c) of Regulation Q, the rate of interest payable by a national bank upon a savings deposit may not exceed the "maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State" in which the national bank is located. Consequently, if that maximum rate is less than the maximum rate prescribed by the Board for member banks pursuant to the Supplement to Regulation Q, national banks, as well as State member banks, are subject to the lesser State maximum rate. The question here involved is whether the applicable State maximum rate for the first 12 months of a savings deposit is that prescribed by the State Regulation for State commercial banks or that prescribed for State savings banks.

Savings banks and national banks in New York State both receive and compete actively for savings deposits. In these circumstances, to regard the 3-1/2 per cent rate as the "maximum rate authorized by law to be paid . . . by State banks or trust companies"

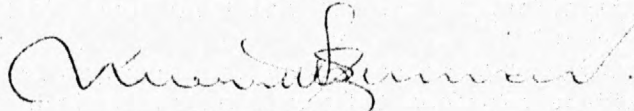
Mr. Howard D. Crosse

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in the State of New York, would not, in the Board's opinion, be in accord with the intention of the provisions of section 24 of the Federal Reserve Act above mentioned. The Board has concluded, therefore, that the law does not operate to make the 3-1/2 per cent limitation contained in General Regulation No. 3 applicable to national banks in the State of New York. Accordingly, a national bank in New York State may pay interest at an effective rate not in excess of 3-3/4 per cent for any period after January 1, 1962 on that part of a savings deposit that remains continuously on deposit for 12 months (including months in 1961); in other words, it may currently credit interest at a rate of 3-1/2 per cent and, at the end of the 12-months period, credit an additional 1/4 of 1 per cent for such period. Thereafter, of course, the bank may pay interest at a rate not in excess of 4 per cent.

In order to afford the State authorities an opportunity to give consideration to this matter, it is requested that you advise them of the conclusion contained in this letter and wait a reasonable time before giving advice thereof to national banks in New York State.

Very truly yours,



Merritt Sherman,
Secretary.

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

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Item No. 8
1/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962.

AIR MAIL

CONFIDENTIAL (F.R.)

Mr. Frederick L. Deming, President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Deming:

This is to confirm the informal arrangement discussed with you by Governor Shepardson regarding the possible assignment to the Board of Mr. R. K. Grobel, Chief Examiner of the Federal Reserve Bank of Minneapolis.

The Board would appreciate the temporary assignment to its offices in Washington of Mr. Grobel for a period of about four months beginning on or about January 15, 1962, with the understanding that this assignment might be extended for an additional period of about two months if necessitated by cases on which Mr. Grobel was working.

Under the proposed arrangement, and in accordance with your suggestion, Mr. Grobel would continue as a regular employee of the Federal Reserve Bank of Minneapolis and would receive his salary direct from you. The Board would pay for the movement of his household goods and personal effects from his present residence to the residence established in the Washington area and return. When Mr. Grobel has decided on the carrier which would move his household furnishings, the carrier's name should be furnished to the Board and the necessary Government bill of lading will then be sent to him in order that the shipment may be made without transportation tax.

Also, the Board would pay actual necessary traveling expenses for Mr. Grobel and his family to Washington and return. Should he use his privately-owned automobile in travel, reimbursement would be on the basis of 12¢ per mile, plus actual additional necessary travel expense.

Recognizing that Mr. Grobel's living expenses in Washington would be somewhat higher than in the Minneapolis area, the Board would also pay him a per diem allowance during his temporary assignment, the

Mr. Frederick L. Deming

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amount of which can be mutually decided upon at a later date.

The Board is appreciative of your willingness to make Mr. Grobel's services available and hopes that the above arrangements will be satisfactory to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
1/10/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1962

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of January 4, 1962, the Board approves the appointment of Alfred A. Bevacqua, Jr. as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.