Minutes for February 8, 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, February 8, 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. Young, Adviser to the Board and Director, Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Smith, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations

Circulated items. 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:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Letter to The National Bank of Dover, Dover, Ohio, approving its application for fiduciary powers.</td>
</tr>
</tbody>
</table>
Letter to Citizens Bank & Trust Company, Campbellsville, Kentucky, approving an investment in bank premises.

Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Camerco, New Mexico.

Application to organize national bank at Arlington, Massachusetts (Item No. 4). There had been circulated to the Board a draft of letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank at Arlington, Massachusetts. The letter reflected the view of both the Federal Reserve Bank of Boston and the Division of Examinations.

Governor Robertson noted that the organizers were relatively youthful and not extremely wealthy. However, they appeared to be competent people who had been successful in their respective business enterprises, and he saw no evidence that the proponents were seeking to establish the bank for self-serving purposes. They had been turned down in an application for a State charter, but he would not weigh that factor too heavily. Consequently, he would be inclined to make a favorable recommendation to the Comptroller.

Governor Mills commented that he knew the area well. While Arlington happened to be an incorporated community, in actuality it was an integral part of the greater Boston metropolitan area. The proposition was to establish a small neighborhood bank. However,
banking services available from existing institutions seemed quite ample; there was no lack of banking facilities or the kinds of service needed by the area.

Governor Mitchell indicated that, like Governor Robertson, he would support a favorable recommendation. He would like to think that a new bank could succeed in an area of this kind. This was not certain, but he would like to let the proponents see what they could do. If the proponents were responsible people and were good members of the community, he felt that this should create a strong presumption in favor of giving them an opportunity.

Mr. Leavitt stated that the Division of Examinations regarded this as a close case. However, there seemed to be nothing in the area where the new bank would be located to indicate that the bank would attract a lot of customers, and earnings prospects appeared marginal. The proposed new bank apparently would have to rely primarily on real estate and consumer-type loans, and in the past two years five loan companies had closed for lack of sufficient business. While nothing adverse was known about the proponents, no managing officer had as yet been selected. If an aggressive managing officer had been selected, the case might have been viewed somewhat differently. Some weight had been given to the denial of the previous application for a State charter, but not too much. On balance, it seemed to the Division that there was no particular need for the bank.
In itself, this might not be sufficient reason to justify an unfavorable recommendation, but the prospects for a favorable operation were regarded as marginal. In Mr. Leavitt's opinion the supervisory authorities had a responsibility not to grant a charter if there was a fairly good possibility that the bank would not be successful.

Further comments indicated that the members of the Board, other than Governors Robertson and Mitchell, were prepared to accept the recommendation of the Reserve Bank and the Division of Examinations. Accordingly, the proposed letter to the Comptroller of the Currency was approved, Governors Robertson and Mitchell dissenting for the reasons they had stated. A copy of the letter is attached as Item No. 4.

**Report on competitive factors (Phoenix-Prescott, Arizona).**

There had been distributed to the Board a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Bank of Phoenix, Phoenix, Arizona, with the Pioneer Bank of Arizona, Prescott, Arizona. The conclusion of the report read as follows:

The proposed merger of The Bank of Phoenix, Phoenix, Arizona, with Pioneer Bank of Arizona, Prescott, Arizona, would unite two associated, noncompetitive banks. Consummation of the proposed transaction would enlarge the continuing bank's service area and might have the effect of increasing, slightly, competition between the continuing bank and the substantially larger banks operating in Maricopa and Yavapai Counties.
Governor Mitchell indicated that he had some question about the second sentence of the conclusion. He felt that the merger might be of less advantage to the Prescott community than to the Phoenix area; in other words, that the community interests of Prescott might not be as well served as at present. Perhaps it would be inappropriate, however, to introduce this line of reasoning into a report on competitive factors.

The views of Governor Mitchell having been noted, the report was approved for transmittal to the Corporation.

Mr. Leavitt then withdrew from the meeting.

System foreign currency operations. There had been distributed to the Board memoranda from Mr. Hackley dated February 2 and February 7, 1962, submitting a draft of amendment to Regulation N, Relations with Foreign Banks and Bankers, and describing other actions proposed to be taken by the Board and the Federal Open Market Committee in connection with a program of System foreign currency operations such as had been approved in principle by the Open Market Committee at its meeting on January 23, 1962.

There had also been distributed a memorandum from Mr. Young dated February 6, 1962, submitting a revised set of papers regarding the proposed program. These papers included:

(1) A proposed Federal Open Market Committee action (authorization) regarding open market transactions in foreign currencies;
(2) Proposed guidelines for such operations to be issued by the Federal Open Market Committee to the Federal Reserve Bank of New York;

(3) A memorandum from Messrs. Young and Coombs (Vice President, Federal Reserve Bank of New York) reporting the understanding reached by them with Treasury representatives pursuant to the negotiations they were instructed to undertake at the Open Market Committee meeting on January 23, 1962; and submitting a proposal for a short-term program of coordinated Treasury and System foreign currency operations consistent with that understanding;

(4) A Treasury memorandum on Treasury and Federal Reserve foreign currency operations and policies—relationships and coordination (as amended to meet Federal Reserve suggestions);

(5) A proposed continuing authority directive to be issued by the Federal Open Market Committee to the New York Reserve Bank.

The memoranda from Mr. Hackley brought out that although the contemplated foreign currency transactions would be in the nature of open market operations (e.g., purchases and sales of cable transfers) subject to the jurisdiction of the Federal Open Market Committee, they would also involve the opening and maintenance by a Federal Reserve Bank of accounts with foreign central banks; and section 14(e) of the Federal Reserve Act authorized the establishment of such accounts only "with the consent or upon the order and direction of the Board of Governors of the Federal Reserve System and under regulations to be prescribed by said Board." In addition, such operations would involve relationships and transactions with foreign banks; and section 14(g) of the Act required the Board to exercise special supervision
over all relationships and transactions of any kind entered into with foreign banks, subject to such regulations, conditions, and limitations as the Board might prescribe.

Under existing law, these responsibilities of the Board could not be delegated to the Federal Open Market Committee. Only the Board could regulate the opening of foreign accounts and supervise the foreign relationships of the Federal Reserve Banks. However, it was believed that, consistent with the law, the Board by regulation could appropriately consent to the supervision by the Federal Open Market Committee of transactions in such foreign accounts to the extent that they involved open market operations.

Regulation N, which had not been amended since January 1, 1944, paraphrased section 14(g) of the Federal Reserve Act. It contained no specific provision regarding the opening of accounts with foreign banks, and in order to comply with section 14(e) it seemed desirable for the Board by regulation to consent to the opening of such accounts. In addition, in order to provide a legal basis for the Federal Open Market Committee to supervise foreign currency transactions, it would be necessary that the Board, in the exercise of its responsibilities under section 14(g), authorize the Committee to supervise and direct relations with foreign banks insofar as they related to open market transactions conducted through accounts with such banks. The proposed amendment to Regulation N was designed to accomplish these objectives.
Further, it would be necessary for the Board, pursuant to the amended Regulation N, to approve the opening and maintenance by the New York Reserve Bank of accounts with designated foreign banks. This action could be embodied in a letter addressed to the Federal Reserve Banks. It would seem desirable at the same time to address a letter to the Presidents of all Federal Reserve Banks regarding the reporting of foreign currency holdings.

It was assumed that the Federal Open Market Committee, following the Board's amendment of Regulation N, would adopt the contemplated "action" (authorization) as well as the proposed "guidelines". If the Committee should feel that either or both should be made public, these documents could be published in the Federal Register. Neither of the documents would appear to constitute a "regulation"; but they would seem to constitute "statements of general policy" within the meaning of the Administrative Procedure Act and would therefore be appropriate for publication in the Federal Register.

As to the selection of a Special Manager of the System Open Market Account for foreign currency operations, the Committee's published Rules on Organization and Information, originally adopted in 1946, provided in section 3(b) that one of the Federal Reserve Banks was to be selected by the Committee to execute transactions for the System Open Market Account. The next sentence stated that "Such bank selects a Manager of the System Open Market Account, satisfactory to the Committee." This provision seemed to imply that the Manager would execute all
transactions for the Account, and such an implication would be in conflict with the proposed "action" (authorization) of the Committee authorizing another individual known as the Special Manager to execute particular types of transactions. This conflict might be cured by publication of the proposed "action" and by including in the provision regarding the selection of the Special Manager the phrase "notwithstanding the provisions of section 3(b) of the Rules of Organization and Information". However, even if the "action" should be published, there might still be a question as to the reason for a difference in procedure in the selection of the Manager and of the Special Manager. To resolve this problem, there might be published in the Federal Register not only the proposed "action" but also a notice of an amendment to section 3(b) of the Committee's Rules on Organization and Information which would provide that open market transactions for the System Account were to be executed by the Manager, except that foreign currency transactions were to be executed by the Special Manager. The language would, of course, need to conform to the final decision of the Committee on (1) what provision for the selection of the Special Manager should be adopted, and (2) whether the method of selection should be the same for the Manager and the Special Manager.

After Mr. Hackley had commented on the material covered in his memoranda, Governor Robertson asked Mr. Hackley whether he was
satisfied that the only way in which a program of System foreign
currency operations could be carried on was through the Open Market
Committee.

Mr. Hackley replied that the purchase and sale of cable
transfers would constitute open market transactions and thus would
be within the jurisdiction of the Federal Open Market Committee in
view of the provisions of section 12A of the Federal Reserve Act.
He felt that the Congress had intended to invest the Open Market
Committee with full control over System open market operations. As
he understood it, System foreign currency operations could be accomplished
in at least three ways. The establishment of accounts with foreign
central banks would not constitute an open market operation, and there-
fore would be subject to consent and approval by the Board. Transac-
tions with foreign banks involving the purchase and sale of gold again
would be subject to the approval of the Board. However, most System
foreign currency transactions would be accomplished through the medium
of cable transfers, and therefore would be open market operations.

Governor Mills said that in his view there were important
substantive considerations that the Board could not ignore in analyzing
the whole field of foreign currency operations. He was troubled by
the thought that the proposed procedure outlined in Mr. Hackley's
memoranda might suffer from the same weaknesses that had been discussed
earlier in regard to the question of engaging in operations in foreign
currencies without specific legislation and, instead, in reliance on interpretations of existing law. Although he was among those who participated in the decision of the Open Market Committee on January 23, 1962, when such operations were approved in principle, he did not feel that the System was free from the possibility of being charged with proceeding ultra vires. There might also be an ultra vires connotation, he thought, in the proposal before the Board at the present time, because the law specifically vests in the Board authority to permit Federal Reserve Banks to open accounts with foreign banks and to enter into transactions with such banks. While he would recommend that the proposal be adopted, he had some reservations about the delegation of authority from the Board to the Open Market Committee.

Mr. Hackley replied that, although there might be some question, he thought that from a legal standpoint it would be appropriate for the Board to delegate authority to the Open Market Committee in the manner suggested, subject to periodic reports to the Board and the right of the Board to modify or revoke this consent.

Chairman Martin commented that except for the authority to modify or revoke, he would consider it inadvisable to proceed.

Governor Balderston inquired whether he understood correctly that the Board would approve the opening and maintenance of accounts by the Federal Reserve Bank of New York with designated foreign banks, but that open market transactions in such accounts would be subject to the jurisdiction of the Open Market Committee.
Mr. Hackley replied that this was correct. After such accounts were opened, open market transactions in them would be subject to the direction of the Committee. However, any gold transactions, for example, would be subject to the approval of the Board.

Following further discussion of this point, Mr. Hackley referred to the question of the authority of the Federal Reserve to engage in foreign currency operations and said he had reached an affirmative conclusion on the basis of what he hoped was an objective study. However, he had tried to emphasize that there might be some question, and to indicate that personally he would prefer having specific legislative authority. The legal conclusion was not crystal clear, but it had been concurred in by the General Counsel of the Treasury and the Attorney General of the United States.

Chairman Martin said that in his opinion the principal reason for not seeking specific legislation was the difficulty in knowing what legislation to ask for at the present time. It seemed necessary to determine through experience the System's limitations. For example, there was no authority to invest in foreign bills. While that probably would not be very restrictive in the initial stages, the System might want that authority later. Without the benefit of experience, however, he knew of no way to cover all of the points that might be involved. He thought the System was on a sound basis in going ahead with the
program, but it must feel its way. Also, it should be recognized that the Board could modify or revoke any authority it granted.

In reply to a question, Mr. Hackley pointed out that the power of revocation was contained in section 5 of Regulation N, which would become section 6 if the Regulation was amended in the manner suggested.

Governor Mitchell raised the question whether the Federal Open Market Committee could not delegate authority to the Board. He suggested that foreign currency operations under the direction of the Board might be more practicable, especially since a smaller group of people would be involved. In the experimental process, the Committee might be too cumbersome a group, while the Board could meet every day.

Governor Balderston commented that it was vital to achieve coordination between the activities of the Treasury's Stabilization Fund and the activities of the Federal Reserve. It seemed to him that the establishment of a pattern in System foreign currency operations different from the pattern of System operations in U.S. Government securities might introduce an added complication and make coordination even more difficult.

Governor Mitchell then commented that a basic decision in conducting foreign currency operations would involve the sum of money to be used on any given foreign currency. He would prefer to see such decisions handled on a day-to-day basis by the Board, rather than
to have them handled by the Open Market Committee or by some person or group of persons designated by the Committee. In foreign currency operations it might be desirable to reappraise the situation frequently, as contrasted with the reappraisal of operations in Government securities at three-week intervals.

Chairman Martin commented that a basic difficulty was the long-standing problem of the New York Bank acting as fiscal agent of the Treasury without supervision on the part of the Board. No matter how the placing of responsibility for foreign currency operations was worked out within the System, there would still be the problem of the New York Bank acting as agent for the Treasury.

Governor Mitchell again suggested that the possibility of placing foreign currency operations under the direction of the Board rather than the Open Market Committee be made a matter of study.

Chairman Martin agreed that every aspect of this problem should be explored, both by the Board and by the Open Market Committee, since this was a pioneering operation in which there were entanglements involving the Board, the Treasury, the Federal Open Market Committee, and the New York Reserve Bank. The objective should be to set up an orderly procedure for experimenting in foreign exchange operations, in pursuance of the commitment in principle that had been made at the Open Market Committee meeting on January 23, 1962.
The discussion then turned to the February 6 draft of proposed action (authorization) of the Open Market Committee regarding open market transactions in foreign currencies, and particularly to the three alternatives presented therein having to do with the method of selection of the Special Manager of the System Open Market Account for foreign currency operations. According to the first alternative, a person who was an officer of the New York Bank would be selected jointly by the Committee and the Bank. According to the second alternative, the joint selection procedure would be the same but the Special Manager would be nominated by a group consisting of the Chairman and Vice Chairman of the Committee and the Vice Chairman of the Board of Governors. According to the third alternative, the method of nomination would be the same as provided by the second alternative, but the New York Bank would select an individual so nominated who would be satisfactory both to the Committee and the Bank.

After discussion of these alternatives, the thought was expressed that it would seem desirable, in the interest of consistency, if the procedures provided for the selection of the Special Manager were the same as those provided for the selection of the Manager of the System Open Market Account. There appeared to be general agreement that consistency of procedure would be desirable. Accordingly, it was suggested that the action (authorization) might provide that the Special Manager would be selected on the basis of
established procedure for the selection of the Manager. Then the Open Market Committee, at its March organization meeting, could take any steps it desired to revise the procedure for the selection of the Manager, which procedure would also be applicable to the selection of the Special Manager.

With this thought in mind, Chairman Martin asked Mr. Hackley to prepare background documentation on the method of selection of the Manager and the Special Manager for distribution to the Open Market Committee prior to consideration of the matter at the meeting of the Committee on March 6, 1962.

Governor Mills made the suggestion that it might be advisable to follow a practice in matters of this kind—and perhaps to specify it in the By-laws of the Open Market Committee—whereby no change would be made in the organizational procedures of the Committee after the annual organization meeting without advance notice that such a proposal was to be taken up at a subsequent meeting.

Chairman Martin then noted that the subject currently under discussion could be discussed at the March organization meeting and voted upon at some subsequent time. The Open Market Committee could be alerted at its February 13 meeting to the fact that this subject was likely to be raised for consideration at the March 6 meeting.

The discussion then turned to other provisions of the February 6 draft of proposed action (authorization) regarding System open market
transactions in foreign currencies. Consideration was given to the sections relating to the basic purposes of such operations, the specific aims of operations, and arrangements with foreign central banks, and several suggestions were made for revisions in the language of the draft document or for deletions. The principal purpose of these suggestions was to make the provisions of the document as clear as possible and to delete vague or apparently unnecessary statements.

During this discussion Governor Mills raised a question about endeavoring to be too specific in a document relating to operations in which the Federal Reserve was not experienced. The Special Manager of the System Account for foreign currency operations would be obliged to report frequently to the Open Market Committee. In all the circumstances, it might be better to have a rather broad and general authorization at the start and, in the light of experience, to develop strict procedures.

Chairman Martin noted that this discussion by the Board was in the nature of preparation for discussion at the meeting of the Open Market Committee next Tuesday. The Board was not making final decisions today, and after the Open Market Committee had considered the subject further it might be found desirable to make additional changes.
Attention then was given to the section of the draft authorization dealing with administrative procedures. This section referred to an authorization that would be given by the Open Market Committee to the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board of Governors, or their respective alternates, to take certain actions within the scope of guidelines issued by the Committee.

Governor Robertson agreed that there was merit in providing for delegation of authority to such a group in cases in which it was necessary to reach a decision on operations before the Open Market Committee could be consulted. However, he questioned the need for delegating to such a group authority for certain other matters referred to in the draft document.

In discussion of this point, Governor Mills suggested that the alternative to proceeding through a small group of this kind might be to enhance the degree of authority placed in the Special Manager of the System Account. In the initial stages of foreign currency operations, particularly, he felt that an argument could be made for establishing a small group that would watch operations closely.

There followed an explanation of the reasons why the staff, in drafting the document, had included provision for the Open Market Committee to delegate to a smaller group authority for the several types of actions listed in the proposed authorization.
Differing points of view were expressed by members of the Board on this phase of the matter. Some members felt that it would be appropriate to begin the program of foreign currency operations according to a plan whereby the full Open Market Committee would hold unto itself the authority for all substantive decisions except in cases of extreme urgency. This line of thought suggested that after some experience had been gained, it could better be determined whether the authority for certain kinds of actions should be delegated. The other line of reasoning was to the effect that it would be difficult for a group as large as the Open Market Committee to follow day-to-day operations closely; that a close degree of supervision might be important in the early stages of the program, and that the most effective means of exercising such a degree of supervision would be through the establishment of a small group having a considerable scope of delegated authority. According to this view, it might not satisfy the needs of the situation to have the Open Market Committee meet at three-week intervals and approve, ratify, and confirm what had been done in the interim; therefore, some middle ground of authority should be established.

In light of these differing viewpoints, it was agreed to continue the discussion of administrative procedures at tomorrow's meeting of the Board, and at that time also consider the proposed guidelines for System foreign currency operations, along with other material that had been prepared by the staff.
The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective February 18, 1962:

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert B. Bangs, Senior Economist</td>
<td>Research and Statistics</td>
<td>$14,380</td>
<td>$14,705</td>
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<tr>
<td>Arthur L. Broida, Economist</td>
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<td>Caroline H. Cagle, Economist</td>
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<td>9,995</td>
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<td>Phyllis J. Featherstone, Statistical Clerk</td>
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<td>3,865</td>
<td>3,970</td>
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<tr>
<td>Katharyne P. Reil, Economist</td>
<td></td>
<td>8,340</td>
<td>8,600</td>
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<td>Ellen C. Cunningham, Statistical Clerk</td>
<td>Bank Operations</td>
<td>4,250</td>
<td>4,355</td>
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<tr>
<td>Donald O. Starr, Assistant Federal Reserve Examiner</td>
<td>Examinations</td>
<td>4,830</td>
<td>4,995</td>
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<td>John C. Brennan, Personnel Assistant</td>
<td>Personnel Administration</td>
<td>9,475</td>
<td>9,735</td>
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<tr>
<td>Florence S. Doane, Clerk (Librarian) (half-time position)</td>
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<td>2,090</td>
<td>2,143</td>
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<tr>
<td>Myrtle M. Evans, Cafeteria Helper</td>
<td>Administrative Services</td>
<td>3,395</td>
<td>3,500</td>
</tr>
</tbody>
</table>
Board of Directors,
The National Bank of Dover,
Dover, Ohio.

Gentlemen:

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

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
Citizens Bank & Trust Company,
Campbellsville, Kentucky.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Citizens Bank & Trust Company, Campbellsville, Kentucky, of $132,183.73.

It is understood this amount will be reduced by a credit of $12,054.73, the latter figure representing insurance settlement proceeds in excess of the book value of bank premises at the time of the fire in July of 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated July 19, 1961, enclosing copies of an application to organize a national bank at Gamerco, New Mexico, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Kansas City indicates that the proposed capital structure would be adequate and management satisfactory. Earnings prospects are deemed to be problematical since there has not been established the actual need for a bank at Gamerco. Accordingly, the Board of Governors does not feel justified in recommending favorable consideration of the application.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
February 8, 1962

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention: Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 28, 1961, enclosing copies of an application to organize a national bank at Arlington, Massachusetts, and requesting a recommendation as to whether or not the application should be approved.

The proposed capital structure is adequate; however, there seems to be little need for the proposed bank and future earnings prospects appear marginal. No executive officer has yet been chosen, and in view of the circumstances, the Board of Governors does not feel justified in recommending favorable consideration of the proposal.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.