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Minutes for March 7, 1962

To: Members of the Board

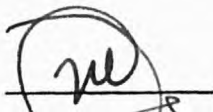
From: Office of the Secretary

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

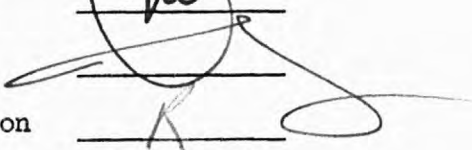
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



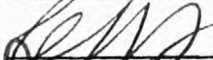
Gov. Mills



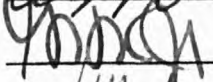
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. King



Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on  
 Wednesday, March 7, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Molony, Assistant to the Board  
 Mr. Fauver, Assistant to the Board  
 Mr. Hexter, Assistant General Counsel  
 Mr. Goodman, Assistant Director, Division of  
 Examinations  
 Mr. Benner, Assistant Director, Division of  
 Examinations  
 Mr. Leavitt, Assistant Director, Division of  
 Examinations  
 Mr. Spencer, General Assistant, Office of the  
 Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on March 5, 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 or distributed to the Board. The following items, which had been circulated or distributed to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to International Banking Corporation, New York, New York, granting consent for The Bank of Monrovia, Monrovia, Liberia, to establish a branch in Buchanan, Republic of Liberia.	1

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	<u>Item No.</u>
Letter to Wellesley Trust Company, Wellesley Hills, Massachusetts, interposing no objection to a dividend declared on January 15, 1962, and approving the declaration of a dividend on July 15, 1962.	2
Letter to The Waterloo Savings Bank, Waterloo, Iowa, approving the establishment of a branch at Park Avenue and Cedar Street.	3
Letter to The State Bank, Fort Dodge, Iowa, approving the establishment of a branch at First Avenue South and South Seventh Street.	4
Letter to Western Bancorporation, Los Angeles, California, indicating no approval or other action by the Board would be required with respect to the sale to Columbia Bancorporation of stock of First Western Bank and Trust Company, Los Angeles, California.	5

Messrs. Goodman and Benner withdrew from the meeting at this point.

Report on competitive factors (Clarksdale-Lula, Mississippi).

A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Bank of Lula, Lula, Mississippi, into Coahoma County Bank & Trust Co., Clarksdale, Mississippi, Clarksdale, Mississippi, had been distributed with a memorandum from the Division of Examinations dated March 2, 1962.

The conclusion in the report read as follows:

There are no adverse competitive effects likely to derive from the proposed merger.

The report was approved unanimously for transmittal to the Corporation.

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Study of dormant bank accounts (Item No. 6). Governor Robertson referred to his report at the meeting of February 19, 1962, that a further meeting with Mr. Cocke, Chairman of the Federal Deposit Insurance Corporation, and Mr. Saxon, Comptroller of the Currency, regarding the survey of dormant bank accounts requested by Congressman Patman was being planned for Friday, February 23. The meeting, however, had been cancelled later at the Comptroller's request, and he (Governor Robertson) had subsequently sent a letter to Mr. Saxon (in the form attached to the minutes of February 19) expressing the view that a decision on whether to conduct the survey should be made at an early date in order that Mr. Patman might be advised, particularly since the survey related to pending legislation.

Governor Robertson went on to say that, since he had not heard further from the Comptroller, he called Mr. Saxon yesterday and read a letter that he would propose that the Board send to Mr. Patman. The letter would indicate that the Board would have no objection to participating in a joint survey but felt it would be inappropriate for the Federal Reserve to proceed with a survey that did not include national banks. While the Comptroller indicated that he continued to have reservations regarding the survey and did not favor the survey form originally proposed by Governor Robertson, he did not express objection to the sending of the proposed letter.

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Following discussion, the proposed letter was approved unanimously for transmittal to Congressman Patman over Chairman Martin's signature. A copy is attached as Item No. 6.

Question was raised, in this connection and in light of other recent developments, whether it might be helpful to invite the Comptroller to meet with the Board for a general discussion of bank supervisory matters in which both the Board and Comptroller had an interest. After discussion, it was agreed that Chairman Martin would extend an invitation to the Comptroller to meet with the Board on a mutually convenient date, possibly Wednesday, March 14.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on March 6, 1962, the following actions relating to the Board's staff:

#### Appointments

John J. Mattras as General Assistant, Office of the Secretary, with basic annual salary at the rate of \$6,435, effective the date of entrance upon duty.

Normand R. V. Bernard as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$10,255, effective the date of entrance upon duty.

Jean C. King as Technical Editor, Division of Research and Statistics, with basic annual salary at the rate of \$6,435, effective the date of entrance upon duty.



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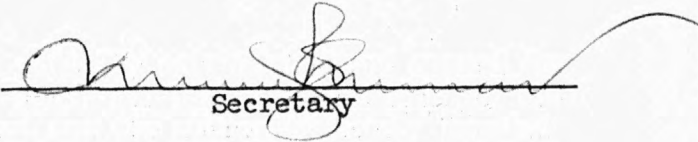
Transfer and salary increase

Henry N. Goldstein, from the position of Economist in the Division of Research and Statistics to the position of Economist in the Division of International Finance, with an increase in his basic annual salary from \$8,080 to \$8,955, effective the date he assumes his new duties.

Transfer within division

Carol M. Karstetter, from a stenographer-recruit position in the Division of Personnel Administration to a regular position of Clerk-Stenographer in that Division, with no change in basic annual salary at the rate of \$4,355, effective March 26, 1962.

Pursuant to the recommendation contained in a memorandum from the Division of Examinations, Governor Shepardson today approved on behalf of the Board a change in the official headquarters of Donald O. Starr, Assistant Federal Reserve Examiner in that Division, from Washington, D. C., to El Paso, Texas.

  
Secretary

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

Item No. 1  
3/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 7, 1962



International Banking Corporation,  
399 Park Avenue,  
New York 22, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of January 30, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to the establishment of a branch at Buchanan, Grand Bassa County, Republic of Liberia, by The Bank of Monrovia, Monrovia, Liberia.

Unless the branch is actually established and opened for business on or before March 1, 1963, all rights granted hereby will be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the exact location of the branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 2  
3/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 7, 1962



Board of Directors,  
Wellesley Trust Company,  
Wellesley Hills, Massachusetts.

Gentlemen:

The Board of Governors has reviewed a copy of a letter written by Mr. Harold D. Terry, President of Wellesley Trust Company, to Mr. Luther M. Hoyle, Jr., Assistant Vice President of the Federal Reserve Bank of Boston, requesting approval for the declaration of two dividends of \$8,000 each on January 15 and July 15, 1962. The permission of the Board is considered necessary under the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

It is contemplated under the statute that the Board's approval will be obtained prior to the declaration of a dividend. Prior approval cannot be given to the first dividend because it was declared on January 15, 1962. After consideration of the facts, however, the Board makes no objection to the declaration of this dividend and approves the declaration of the second dividend of \$8,000 on July 15, 1962.

This letter does not authorize any other declaration of dividends during 1962 or later.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



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

Item No. 3  
3/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 7, 1962



Board of Directors,  
The Waterloo Savings Bank,  
Waterloo, Iowa.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the intersection of Park Avenue and Cedar Street, Waterloo, Iowa, by The Waterloo Savings Bank, provided the branch is established within one year 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. 4  
3/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



March 7, 1962

Board of Directors,  
The State Bank,  
Fort Dodge, Iowa.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the northwest corner of the intersection of First Avenue South and South Seventh Street, Fort Dodge, Iowa, by The State Bank, 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. 5  
3/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 7, 1962



Mr. Harry H. Mitchell,  
Vice President and Secretary,  
Western Bancorporation,  
600 South Spring Street,  
Los Angeles 14, California.

Dear Mr. Mitchell:

Your letter of February 26, 1962 requests that the Board notify Western Bancorporation "that no approval or other action of the Board is necessary or appropriate" before Western Bancorporation sells to Columbia Bancorporation approximately 93 per cent of all outstanding shares of common stock of First Western Bank and Trust Company, Los Angeles, California. It is understood that the shares will be sold to Columbia solely for cash.

Western Bancorporation is a bank holding company subject to the Bank Holding Company Act of 1956 (12 U. S. Code 1841 et seq.). First Western is a bank organized under the laws of California; it is not a member bank of the Federal Reserve System. Your letter states that Columbia Bancorporation does not own any interest in any bank. The Board's conclusion, in the following paragraph, is based on the assumption that, when the contemplated sale and purchase of stock of First Western is consummated, Columbia will not be a bank holding company as defined in section 2(a) of the Bank Holding Company Act (12 U.S.C. 1841) and will not become a bank holding company by virtue of the proposed transaction.

On the basis of these understandings, the Board of Governors concludes that no approval or other action of the Board is necessary or appropriate under the Bank Holding Company Act or any other provision of law prior to the proposed purchase and sale of stock of First Western. This conclusion, of course, is based on the facts presented to the Board and could be altered by the existence of other circumstances.

It seems advisable to mention provisions of law that, in certain circumstances, might require action by the Board after consummation of the transaction. As mentioned, First Western is not a member bank of the Federal Reserve System, but inquiries have been

Mr. Harry H. Mitchell

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made suggesting the possibility that it might hereafter apply for membership. In that event, under section 9 of the Federal Reserve Act (12 U.S.C. 321 et al.) the Board of Governors would be required to determine whether the bank should be admitted to Federal Reserve membership.

If First Western should become a member of the System, Columbia Bancorporation would thereby become a "holding company affiliate" as defined in section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a). Under section 9 of the Federal Reserve Act (12 U.S.C. 337) a holding company affiliate of a member State bank is required to subject itself to the conditions and limitations that are applicable to holding company affiliates of national banks under section 5144 of the Revised Statutes (12 U.S.C. 61). Section 5144 prohibits a holding company affiliate from voting shares of a member bank controlled by it unless it has obtained from the Board of Governors a voting permit (or a determination under the last paragraph of section 2(c)), and section 5144 and Federal Reserve Regulation P (a copy of which is enclosed) deal with the granting of, terms and conditions of, and revocation of, voting permits.

The two preceding paragraphs relate to matters that would be within the jurisdiction of the Board of Governors only in the event First Western should hereafter apply for, and be admitted to, membership in the Federal Reserve System; and they relate to Columbia rather than to Western Bancorporation. As previously indicated, no approval or other action by the Board of Governors is required with respect to the specific transaction now contemplated - namely, the sale by a bank holding company, solely for cash, of the majority of the stock of a bank, not a member of the Federal Reserve System, to a corporation that does not own or control any other bank stock and is not a bank holding company.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 6  
3/7/62

OFFICE OF THE CHAIRMAN

March 7, 1962

The Honorable Wright Patman  
House of Representatives  
Washington 25, D. C.

Dear Mr. Patman:

This refers to your letter of January 29, 1962, regarding a possible survey of charges against dormant bank accounts, and to Governor Robertson's subsequent telephone conversation with you about this matter.

Your letter asked that the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation undertake a joint project to secure from all insured banks data indicating the number and total amount of dormant accounts and the amount of service and other charges made against such accounts. Your letter also expressed the assumption that the Comptroller would be willing to undertake such a survey for national banks if the Federal Reserve and the FDIC agreed to undertake the same survey with respect to State member banks and insured nonmember banks.

The Board has no objection to participating in such a joint survey, and has indicated its position to the Comptroller and the FDIC. It understands that the FDIC also has no objection but that the Comptroller has some reservations about the project.

In the light of these circumstances, the Board feels that it would be inappropriate for the Federal Reserve to proceed with a survey that did not include national banks.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.  
Wm. McC. Martin, Jr.