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Minutes for May 7, 1962

To: Members of the Board

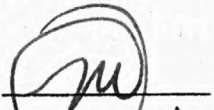
From: Office of the Secretary

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

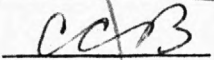


Gov. Mills



Gov. Robertson

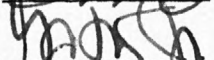
Gov. Balderston



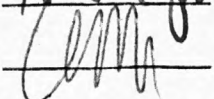
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Monday, May 7, 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  
Mrs. Semia, Technical Assistant, Office  
of the Secretary

Messrs. Noyes, Garfield, Holland, Koch,  
Williams, Brill, Dembitz, Eckert, Gehman,  
Partee, Taylor, Weiner, Yager, Freedman,  
and Wernick, and Miss Dingle of the  
Division of Research and Statistics

Messrs. Furth, Hersey, Sammons, Katz, Wood,  
Maroni, Reynolds, Gekker, Kaufman, Klein,  
and Mills of the Division of International  
Finance

Economic review. The Divisions of International Finance and Research and Statistics presented a review of economic and financial developments in the United States and abroad.

At the conclusion of this review, all of the members of the staff except Messrs. Sherman, Kenyon, Molony, Young, Fauver, Noyes, Holland, and Dembitz and Mrs. Semia withdrew from the meeting, and the following entered the room:

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Mr. Cardon, Legislative Counsel  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of  
 Bank Operations  
 Mr. Solomon, Director, Division of  
 Examinations  
 Mr. Johnson, Director, Division of  
 Personnel Administration  
 Mr. Shay, Assistant General Counsel  
 Mr. Kiley, Assistant Director, Division of  
 Bank Operations  
 Mr. Goodman, Assistant Director, Division  
 of Examinations  
 Mr. Leavitt, Assistant Director, Division  
 of Examinations  
 Mr. Fuerth, Attorney, Legal Division  
 Mr. Veret, Attorney, Legal Division  
 Mr. Veenstra, Technical Assistant, Division of  
 Bank Operations  
 Mr. Achor, Review Examiner, Division of  
 Examinations

Distributed items. The following items, which had been distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

Letter to Bank of America National Trust and Savings Association, San Francisco, California, authorizing the organization of Bamerical International Financial Corporation.	1
Telegram to the Federal Reserve Bank of Richmond interposing no objection to the rental of IBM 1401 electronic check processing equipment for the Baltimore and Charlotte Branches.	2

Mr. Goodman then withdrew from the meeting.

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Application of United California Bank (Item No. 3). There had been distributed a memorandum dated April 17, 1962, in which the Division of Examinations recommended disapproval of an application by United California Bank, Los Angeles, California, for permission to merge with The First National Bank of Vista, Vista, California, and to operate branches at the present two offices of that bank. The Federal Reserve Bank of San Francisco had recommended approval of the application.

Mr. Leavitt, in summarizing facts relating to the case, noted that a fairly substantial premium, based on book value, was being offered for the stock of The First National Bank of Vista, which no doubt was attractive to the bank's owners. The capital, earnings, management, and general condition of both banks were reasonably satisfactory. Reports from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice all agreed that there was little competition between the two institutions. The report of the Comptroller of the Currency had been adverse, but on the ground of opposing the elimination of a successful independent banking unit. The Vista area was one that catered substantially to retired people; it was largely agricultural, with some light industry. First National of Vista was providing most of the range of services that banks of its size normally provide. The availability of trust services from United California had been urged as a reason for the merger, but there was some doubt as to how much need for trust services existed in Vista. It had also been contended that an advantage of the merger would

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be a larger loan limit. However, despite the fact that a larger loan limit than First National's was available from the Vista branch of Security First National Bank of Los Angeles, that branch had deposits of \$6.7 million and loans of only \$1 million, whereas First National had deposits of \$12 million and loans of \$5.2 million. Therefore, in the opinion of the Division of Examinations, there was little to indicate that a larger loan limit was needed in the Vista area.

Another argument offered for the merger was that First National found difficulty in obtaining junior executives in competition with the large banks in the area. However, a number of new banks in California were obtaining executives. It seemed to the Division that the Vista case bore similarities to the application of United California Bank to merge with The First National Bank of La Verne, California, which the Board denied by order dated November 16, 1961. In the Vista case, the Division found no strong arguments in favor of the merger, and therefore recommended disapproval. If the Board should be inclined to agree with the adverse recommendation, however, the Division would suggest permitting United California an opportunity for oral presentation.

Mr. Solomon stated that the Vista case was one in which the Division of Examinations could not see that substantial benefits would flow from the proposed merger. On the other hand, one might argue, perhaps, that there would be no great disadvantages; there was no

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substantial competition between the Vista bank and any office of United California. The chief disadvantage would appear to be a furtherance of the trend of gathering together small banks into the larger banks in California. It was true that United California was not the largest bank in the State, only the fourth largest; yet it was a subsidiary of a substantial holding company. If the Board should be inclined to deny the application, there might be a particular reason to allow an oral presentation in the fact that the Board had refused a request from United California for access to the competitive factor reports of the Federal Deposit Insurance Corporation and the Department of Justice. The Comptroller of the Currency had made public his adverse competitive factor report, and the applicant had wanted the reports of the other two agencies in order to develop refutations. In refusing the request, the Board had indicated to United California that competitive factor reports from other agencies were made available only in cases where an oral presentation or hearing had been ordered.

Following a discussion of the measurement of the premium being offered for the stock of First National of Vista, the Chairman called upon the members of the Board for expression of their views on the application.

Governor Mills stated that he agreed with the recommendation for denial. He considered the comparison with the La Verne case an apt one. In both, a self-sufficient independent bank in a community

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relatively separated from other areas had proved its capacity to serve its community effectively. In another case, the Board reversed an original denial and approved United California's merger with The Southwest Bank, Inglewood, California, which bank was surrounded by branches of large Southern California banks. However, the situation was different in this case. According to his recollection of the area, the community of Vista was likely to stand separately for a good many years before the population of San Diego pushed toward it. Governor Mills added that in his opinion, the reasons for denial of the Vista merger were clear enough to warrant action without an oral presentation.

Governor Robertson stated that he agreed with the recommendation of the Division of Examinations, for the reasons given by the Division.

Governor Shepardson said that he also concurred with the recommendation.

Governor King likewise concurred. In his view, the argument that a higher loan limit was needed in Vista fell flat in light of the fact that the higher loan limit available to the branch of Security First National Bank was not being used to any great extent.

Governor Mitchell stated that he, too, concurred in the Division's recommendation, although with a somewhat different view, perhaps, as to the reasons for denial. He could not recall the exact circumstances of the La Verne case, but his impression was that it was not truly analogous to the Vista case, because the offices of the banks proposing

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to merge were not so widely separated and there may have been somewhat more existing or potential interbank competition. In any event, in the light of banking developments in California, he felt that the Board ought to let it be known in some way whether or not it would permit mergers of widely-separated banks where the issue of elimination of interbank competition was not involved. Otherwise, in a sense the Board would be encouraging the establishment of banks for purposes of sale. In his mind, a denial of the Vista application might serve to clarify the Board's position.

Governor King, who had previously indicated that he would concur with the recommendation for denial, added that to him the factor that supported that position most strongly was the convenience and needs of the community. In his view, a choice between dealing with a branch of a large bank or with an independent bank should be retained whenever possible unless there was likelihood that the independent bank would falter or fail, which did not seem to be true in the Vista case. The retention of these alternatives was especially important where there were only two sources of banking services in a community.

Governor Balderston expressed agreement with the staff recommendation on the ground that he would like to see the First National Bank of Vista preserved as a local, unit bank. If the Board should consent to the merger, the nearest unit bank would be fourteen miles away.

Chairman Martin stated that he had no question about concurring with the recommendation. However, he agreed with the staff that,



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having denied United California access to the reports on competitive factors, an opportunity should be afforded for an oral presentation even though such a presentation might not change the views of the Board members.

Governor King raised the question of giving the applicant some indication that, although it could make an oral presentation if it wished, the proceeding might be a futile exercise.

Mr. Hackley responded that the Board in July 1961 had adopted a procedure tending to indicate to an applicant that it was leaning toward denial. However, the Board later abandoned that procedure. It was now the Board's policy, whenever such a procedure seemed desirable in its discretion, to invite an applicant to make an oral presentation without indicating the Board's tentative thinking on the application. There was, of course, no legal obligation to allow an oral presentation, but one of the advantages was to avoid the awkward situation that resulted if an applicant, after denial, asked for reconsideration, and upon reconsideration the Board reversed itself. Under the Board's published Rules of Procedure, it was clear that the Board would not ordinarily grant requests for reconsideration unless new facts and arguments were presented. If an applicant were allowed an opportunity to be heard before a decision was reached, the Board would then be in better position to deal with a request for reconsideration.

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At the conclusion of further discussion of the grounds that might be cited should the Board decide to deny the application, it was agreed that an opportunity for a public oral presentation should be accorded to United California Bank in connection with its proposal to merge with The First National Bank of Vista.

Secretary's Note: Such a presentation was subsequently arranged for May 25, 1962. A copy of the Board's Order is attached as Item No. 3.

Mr. Achor then withdrew from the meeting and Messrs. Chase, Assistant General Counsel, McClintock, Supervisory Review Examiner, Division of Examinations, and Harris, Assistant Review Examiner, Division of Examinations, entered the room.

Application of People's Savings and Trust Company. There had been distributed a memorandum dated April 26, 1962, in which the Division of Examinations recommended approval of the application of The People's Savings and Trust Company, Hazleton, Pennsylvania, for permission to purchase the assets and assume the liabilities of the First National Bank in Freeland, Freeland, Pennsylvania, and to operate a branch at the present location of the Freeland bank. The Federal Reserve Bank of Philadelphia had recommended approval of the application.

At Chairman Martin's request, Mr. Leavitt summarized the information set forth in the memorandum, within the framework of the factors required by statute to be considered.

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After discussion, the application was approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Mr. Harris then withdrew.

Application of Asbury Park and Ocean Grove Bank (Item No. 4).

There had been distributed a memorandum dated April 30, 1962, in which the Division of Examinations recommended unfavorably on the application of Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, for permission to merge with The Central Jersey Bank and Trust Company, Freehold, New Jersey, and to operate branches at the present ten offices of the Freehold bank. The Federal Reserve Bank of New York had recommended approval.

A summary memorandum, also dated April 30, 1962, accompanied the comprehensive memorandum in which the circumstances relating to the application were analyzed. In the summary, the Division of Examinations stated that the two banks were reasonably sound institutions, were experiencing good earnings and, as separate entities, had favorable prospects. The merger would result in the elimination of substantial competition between the two banks and would provide the resulting bank with a dominant position in an area in which the Freehold bank already operated an ample number of offices for efficient service to its customers. If the merger was effected, its total offices in the area would be more than doubled. Evidence of need for the merger was not persuasive to the Division, and the benefits to the public appeared to be more than offset by the unfavorable effects on competition.

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The proposed merger involved certain unusual facts. Normally, the applicant in a merger case was the larger of the banks involved, and usually the applicant became the resulting bank, retaining its title, charter, management, and main office location. Also, stockholders of the "other bank" were normally the recipients of any premium involved in an exchange of stock. In this case, the "other bank"--The Central Jersey Bank and Trust Company, in Freehold,--was the larger of the two and it would become, in effect, the resulting bank, retaining its title, official staff, and main office location and relinquishing only its charter. Its stockholders would pay, rather than receive, the premium involved. The Federal Reserve Bank of New York had indicated that the nonmember bank in Freehold had expressed a desire to obtain System membership; and by acquiring the charter of the applicant it would become a member of the System. (There was no reason to believe that a direct application would not warrant favorable action.)

In conclusion the summary memorandum noted one other fact that might explain the procedure followed in the merger application. The applicant, Asbury Park and Ocean Grove Bank, at least until recently had paid no income taxes, from which it was exempt because of waived deposits in the early thirties, and therefore had not needed to maintain the tax deductible reserve for bad debts permitted by Internal Revenue Service regulations. It was understood that under those

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regulations a bank could establish, for tax purposes, a reserve for bad debts and deduct from taxable income all amounts transferred to the reserve up to a "ceiling" determined by its loan loss experience during certain prior years of operation. By obtaining the Asbury Park bank's charter, the Freehold bank would also acquire the Asbury Park bank's "loan loss experience" and a "ceiling" of about \$1 million. The Freehold bank's "ceiling" would be increased from about \$1.5 million to \$2.5 million. In time, a considerable tax saving could be effected.

In commenting on the application, Mr. Leavitt noted that the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice all had reported unfavorably on the competitive factors involved in the proposed merger. A significant amount of competition between the two banks would be eliminated by the proposed transaction, especially in the Asbury Park area, where the applicant held about 35 per cent of the deposits and the Freehold bank about 30 per cent. Approval of the merger would result in operation by the continuing bank of nine of the eleven banking offices in the Asbury Park area. Wherever a significant amount of competition would be eliminated, it would appear that there should be some substantial benefits flowing to the public to offset that competitive effect. In this case, it seemed to the Division of Examinations that there would be no significant benefits, except perhaps an increased loan limit, and there was little to indicate that an increased loan limit was needed. In response

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to inquiries made by the Federal Reserve Bank of New York, the banks involved had cited a few examples where they could make larger loans to certain customers and had claimed that they were losing some customers to Boston, New York, and Philadelphia banks, but the Division of Examinations did not feel that a strong case had been made.

The bank resulting from the proposed merger, Mr. Leavitt continued, would be the largest in Monmouth County, holding approximately 30 per cent of deposits and loans. He then described comparisons the Division had made of banking concentration in counties surrounding Monmouth County, and commented on the line of reasoning the New York Reserve Bank presumably had followed in making its favorable recommendation.

In conclusion, Mr. Leavitt stated that along with its recommendation for disapproval of the application, the Division of Examinations also recommended that an opportunity be given the applicant to make an oral presentation if the Board should feel inclined toward disapproval. An objection had been filed by a small stockholder, who should be invited to appear if an oral presentation was held.

The members of the Board then stated their views, which indicated that all were disposed to disapprove the application. Thereupon, it was agreed that Asbury Park and Ocean Grove Bank would be afforded an opportunity for a public oral presentation regarding its merger application.

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Secretary's Note: Such a presentation was subsequently arranged for May 25, 1962. A copy of the Board's Order is attached as Item No. 4.

Messrs. Veret and McClintock then withdrew from the meeting.

Question under section 32 (Item No. 5). At its meeting on January 10, 1962, the Board considered a question raised by the Federal Reserve Bank of New York as to 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 Chemical Bank New York Trust Company. Resolution of the question depended upon the Board's judgment as to whether Harris, Upham & Co. was "primarily engaged" in section 32 business, and that judgment in turn depended upon whether the governing fact was to be the dollar amount of section 32 business transacted by the company or the proportion of the company's total business that was comprised of section 32 business. The question was presented at a time when 1960 figures for the company's business were the latest available. Since 1961 figures would soon become available, the Board decided to withhold decision until those figures could be studied.

In a memorandum dated May 3, 1962, which had been distributed, the Legal Division reported to the Board that in 1961 Harris, Upham & Co. did a dollar volume of over \$18 million of business of the kinds described in section 32, and this business produced 2.8 per cent of the gross income of the firm. The 1960 figures had been approximately

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\$13.6 million of such business, representing about 2.7 per cent of the gross income of the firm. The memorandum reviewed the position the Board had taken on similar questions in the past, and the significance of the Supreme Court's comments on the phrase "primarily engaged" in its opinion in Board of Governors v. Agnew. The Legal Division concluded that, although the question was close because of the substantial dollar volume of section 32 business, Harris, Upham & Co. was not "primarily engaged" in business of the kinds described in section 32. A draft of letter to the Federal Reserve Bank of New York reflecting that position was attached to the memorandum.

After a discussion, the letter was approved unanimously.

A copy is attached as Item No. 5.

Messrs. Chase, Shay, and Fuerth then left the meeting.

Survey of loans on stocks and bonds (Item No. 6). There had been distributed a memorandum dated May 1, 1962, from Mr. Noyes, proposing that the Board authorize a sample survey of bank loans on stocks and bonds as collateral, the data to be collected by the Federal Reserve Banks. The survey would be somewhat similar to past surveys of business or farm loans. However, the size of the sample for this survey, both in number of banks and in the average number of loans reported by each bank, would be smaller than the samples in those past surveys.



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The purpose of the survey would be to develop information about the volume and characteristics of loans subject to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks, and of security loans exempt from the present Regulation because they were made to carry unlisted stocks or convertible bonds or were for purposes other than carrying securities. Information of this kind would be especially important in determining the System's position with respect to any proposals to extend the scope of the Regulation. In addition, in connection with the special study of the securities markets now being conducted by the Securities and Exchange Commission, the Commission was anxious to obtain information of the kinds here contemplated, and it was understood that the Commission might request that the Board sponsor a survey of this kind.

Attached to the memorandum was a draft of letter informing the Presidents of the Federal Reserve Banks that the survey would be made and stating that the Board's Research Division would be in touch with the research departments of the Reserve Banks about further steps to be taken.

In commenting on the proposal, Mr. Noyes noted that the survey sample would include national banks, and that therefore the possible reaction of the Comptroller of the Currency might be relevant. Also, the Board might wish to consider a more tentative approach to the Federal Reserve Banks. However, some indication had already been given

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to the Securities and Exchange Commission in a general way that the Board would cooperate in obtaining information it needed in this area. It was Mr. Noyes' view that it probably would be necessary in the final analysis for the Board to conduct some survey such as the one proposed, regardless of any protests.

Governor Mills questioned the advisability of making the survey, particularly at this time. The information that would be obtained might be useful, but the burden on the reporting banks could not be overlooked. The banks would have to go over their security advances loan by loan at a time when the Comptroller of the Currency was making an effort to relieve the banks of reporting burdens and had set up a committee to deal with such matters. Tactically, it seemed to Governor Mills that the survey should be postponed. Also, if the Securities and Exchange Commission wanted the information, it should be a party to the request, and not allow the Board to take the onus of requesting the reports. Moreover, if any such survey were made, he thought consideration should be given to setting as high a level as was reasonable on the size of loans to be included.

After further discussion the majority of the members of the Board agreed, Governor Mills dissenting, that the proposed survey should be made. By similar vote, the letter to the Presidents of the Federal Reserve Banks was approved. A copy of the letter is attached as Item No. 6.

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Analysis of banking structure and competition. There had been distributed a memorandum dated May 2, 1962, in which Mr. Noyes reported on progress in organizing the program of analysis of banking structure and competition, the initial steps for which were approved by the Board on March 1, 1962. The memorandum mentioned several particular questions regarding characteristics of bank competition that could be at least partially answered through presently available data and analytical techniques. In view of present and prospective demands for analysis in this field, Mr. Noyes suggested that consideration be given to some reallocation of the Board's existing staff. Specifically, he suggested that Mr. Tynan Smith, Senior Economist in the Consumer Credit and Finances Section of the Division of Research and Statistics, and Mr. Theodore Veenstra, Technical Assistant in the Division of Bank Operations, be assigned to undertake experimental analyses in this field.

After discussion, it was agreed that Messrs. Smith and Veenstra should be assigned as suggested by Mr. Noyes. It was understood that a report would be presented at a subsequent meeting on efforts that were being made to obtain staff leadership for this program.

Statement on S. 1005. There had been distributed a draft of statement to be given by Vice Chairman Balderston before Subcommittee No. 1 of the House Committee on Banking and Currency on S. 1005, which would repeal the present legal restrictions on funds available for the construction of buildings for branches of Federal Reserve Banks.

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After a discussion during which several suggestions were made regarding the tone and content of the statement, it was understood that the statement would be revised in line with these comments and that it would be presented in a final form satisfactory to Vice Chairman Balderston.

At this point all of the members of the staff except Messrs. Sherman and Hackley withdrew.

Temporary appointment of Mr. O'Kane (Item No. 7). Governor Balderston reported a telephone conversation with President Swan of the Federal Reserve Bank of San Francisco on Friday, May 4, 1962, during which Mr. Swan informed him of a request by the Governor of the State of California that Vice President and General Counsel O'Kane accept a temporary appointment as Acting Superintendent of Banks to succeed Superintendent William J. Murphy, who died suddenly last week. Governor Balderston said that Mr. Swan had pointed out that there was no Deputy Superintendent of Banks, that the Governor needed a little time to make a more permanent selection to succeed Mr. Murphy, and that in the meantime the office was in critical need of someone who understood the nature of its problems and who could act as Superintendent pending a replacement for Mr. Murphy. Mr. Swan had informed him that a telephone canvass of the directors of the Bank had indicated that the directors would be agreeable to a leave without pay for Mr. O'Kane for a period of three months, and Mr. Swan felt that under all the circumstances

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he would recommend that Mr. O'Kane be given a leave of absence without pay for a period of three months to serve in the capacity indicated.

Following a brief discussion, the Board agreed that President Swan should be informed that it would not object if the Bank granted Mr. O'Kane a leave of absence without pay for a period of three months for the purpose of serving as Acting Superintendent of Banks for the State of California.

Secretary's Note: A letter reflecting the Board's position was subsequently sent to President Swan. A copy of the letter is attached as Item No. 7.

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 the following actions relating to the Board's staff:

Appointments

Appointment of Alfred J. Tella as Economist in the Division of Research and Statistics, with basic annual salary at the rate of \$8,600, effective the date of entrance upon duty.

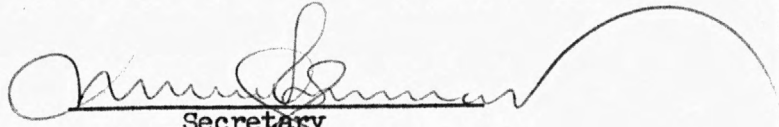
Appointment of Franklin R. Edwards and Watkins L. Ribble, Jr., as Summer Research Assistants in the Division of Research and Statistics, with basic annual salary at the rate of \$5,520, effective the respective dates of entrance upon duty.

Appointment of David Y. Czamanske and James H. Schulz as Summer Research Assistants in the Division of Research and Statistics, with basic annual salary at the rate of \$5,355, effective the respective dates of entrance upon duty.

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Outside activity

Permission granted Frank A. Dean, Sr., Messenger in the Division of Administrative Services, to work as a shoe salesman.

  
Secretary

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

Item No. 1  
5/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



May 7, 1962.

Mr. Roland Pierotti, Assistant to the President,  
Bank of America National Trust and Savings Association,  
300 Montgomery Street,  
San Francisco 20, California.

Dear Mr. Pierotti:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated March 23, 1962, of Bamerical International Financial Corporation, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 211.3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

Enclosure.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

May 7, 1962

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated March 23, 1962, of BAMERICAL INTERNATIONAL FINANCIAL CORPORATION duly filed with said Board of Governors, and that BAMERICAL INTERNATIONAL FINANCIAL CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By (Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

(SEAL)



T E L E G R A M  
LEASED WIRE SERVICEItem No. 2  
5/7/62BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

May 7, 1962.

Heflin - Richmond

Board interposes no objection to rental of electronic check processing equipment for the Baltimore and Charlotte Branches as indicated in urlet of April 16, 1962.

(Signed) Merritt Sherman

SHERMAN

UNITED STATES OF AMERICA

Item No. 3  
5/7/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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In the Matter of the Application of	:
UNITED CALIFORNIA BANK	:
Los Angeles, California,	:
for prior approval of proposed merger	:
with The First National Bank of Vista,	:
Vista, California	:

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ORDER FOR PUBLIC PROCEEDING

United California Bank, Los Angeles, California, has filed an application under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, for the Board's prior approval of the merger of The First National Bank of Vista, Vista, California, into the United California Bank, under the charter and title of the latter. Notice of the filing of this application was published by the Applicant pursuant to the requirement of section 18(c).

It now appears to the Board to be in the interest of the public, as well as the Applicant, to afford an opportunity for the expression of views and opinions by persons in a public proceeding before the Board. Accordingly,

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IT IS HEREBY ORDERED, that a public proceeding before the Board be held commencing at 2:00 P.M. on May 25, 1962, at the offices of the Board of Governors, Washington, D. C.

IT IS FURTHER ORDERED, that any person desiring to appear before the Board at this proceeding should file with the Secretary of the Board, 20th and Constitution Avenue, N. W., Washington 25, D. C., on or before May 21, 1962, a written request setting forth a brief statement of the nature of the views he wishes to express. Persons submitting such requests will be notified of the Board's decision thereon.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

May 9, 1962

## UNITED STATES OF AMERICA

Item No. 4  
5/7/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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In the Matter of the Application of  
 ASBURY PARK AND OCEAN GROVE BANK,  
 Asbury Park, New Jersey  
 for prior approval of proposed merger with  
 The Central Jersey Bank and Trust Company,  
 Freehold, New Jersey

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## ORDER FOR PUBLIC PROCEEDING

Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, has filed an application under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, for the Board's prior approval of the merger of The Central Jersey Bank and Trust Company, Freehold, New Jersey, into the Asbury Park and Ocean Grove Bank, under the charter of the latter and the title of The Central Jersey Bank and Trust Company. Notice of the filing of this application was published by the applicant pursuant to the requirement of section 18(c).

It now appears to the Board to be in the interest of the public, as well as the Applicant, to afford an opportunity for the expression of views and opinions by persons in a public proceeding before the Board. Accordingly,

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IT IS HEREBY ORDERED, that a public proceeding before the Board be held commencing at 10 a.m. on May 25, 1962, at the offices of the Board of Governors, Washington, D. C.

IT IS FURTHER ORDERED, that any person desiring to appear before the Board at this proceeding should file with the Secretary of the Board, 20th and Constitution Avenue, N. W., Washington 25, D. C., on or before May 18, 1962, a written request setting forth a brief statement of the nature of the views he wishes to express. Persons submitting such requests will be notified of the Board's decision thereon.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

May 8, 1962.

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

Item No. 5  
5/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



May 7, 1962

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

Dear Mr. Crosse:

Reference is made to your letter of April 18, 1962 regarding the applicability of section 32 of the Banking Act of 1933 to Henry U. Harris, a partner of Harris, Upham & Co., who is a director of Chemical Bank New York Trust Company, both of New York City.

Reference is also made to Mr. Piderit's letter of April 24 advising that a decision as to Harris, Upham & Co. will also affect Mr. John T. Pratt, Jr., a limited partner of the firm and a director of United States Trust Company of New York, also of New York City.

When the question whether Harris, Upham & Co. is "primarily engaged" in the business described in section 32 was considered by the Board in January of this year on the basis of information for the years 1957 to 1960 inclusive, the Board thought that the question was so close that it would prefer to await information for the year 1961 before deciding on the matter. The information for 1961 is not substantially different from that for 1960: in 1961 the dollar volume of section 32 business was about \$18 million, and this business produced about 2.8 per cent of the gross business of the firm.

Although the volume of section 32 business is large, the proportion of such business as compared with the firm's total business is smaller than in any case in which the Board has regarded section 32 as being applicable. Moreover, you point out in your letter that the firm does not hold itself out as being in the underwriting or distributing business, has no separate department for such business, and does not refer to such business in its advertising. In short, this is a minor and relatively unimportant part of its business and consequently produces a rather minor and unimportant part of the income of each partner.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



Mr. Howard D. Crosse

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In the circumstances the Board is of the opinion that, although the dollar volume is important, it should not be given controlling weight in a case such as the present one in which the percentage of total income produced by section 32 business is so small.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Dear Sir:

The Board is of the opinion that, although the dollar volume is important, it should not be given controlling weight in a case such as the present one in which the percentage of total income produced by section 32 business is so small.

Respectfully,  
Merritt Sherman

TO THE OFFICE OF THE SECRETARY OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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

Item No. 6  
5/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 7, 1962.



Dear Sir:

The Board is planning to make a sample survey of loans by member banks on stocks and bonds as collateral. Attached is a memorandum from the Board's Division of Research and Statistics outlining the purposes of the project.

As indicated in the memorandum, the Board's Research Division will be in touch with the research departments of the Reserve Banks about further steps to be taken. The Board will greatly appreciate the assistance of the Reserve Banks in this project.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,  
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



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

Item No. 7  
5/7/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



May 7, 1962

Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Swan:

At its meeting today, the Board of Governors considered the question raised by you with Governor Balderston on Friday, May 4, regarding the request of the Governor of the State of California that Mr. John A. O'Kane, Vice President and General Counsel of the Federal Reserve Bank of San Francisco, be permitted to accept a temporary appointment as Superintendent of Banks for the State of California in the emergency situation created by the sudden death last week of Superintendent William J. Murphy. Note was also taken of your recommendation that Mr. O'Kane be granted a leave of absence without pay for a period of three months for the purpose indicated, and of your report that the directors of your Bank had indicated to you by telephone their willingness to approve such an arrangement.

Under the circumstances, the Board will interpose no objection to an arrangement under which Mr. O'Kane would be granted a leave of absence for a period of three months for the purpose of accepting a temporary appointment as Superintendent of Banks for the State of California.

Very truly yours,

Merritt Sherman,  
Secretary.