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, May 9, 1962. The Board met in the Board Room at 9:30 a.m. in executive session.

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

National bank examination reports (Items 1 and 2). The Secretary was informed later by the Chairman that during the executive session the Board gave consideration to a letter from the Comptroller of the Currency dated April 30, 1962, advising of a certain schedule of charges for copies of national bank examination reports that would become effective June 1, 1962. The Chairman stated that the Board had authorized him to ascertain whether the Comptroller would be agreeable to deferring the effective date until July 1, 1962, in order that the matter might be studied by the Board at greater length; and that the Comptroller, in a subsequent telephone conversation, agreed to such a postponement.

Secretary's Note: Attached as Item No. 1 is a copy of the letter sent by the Chairman to the Comptroller of the Currency following their telephone conversation. Attached as Item No. 2 is a copy of a letter sent to the Federal Reserve Banks pursuant to further discussion of this matter by the Board in executive session on May 10, 1962.
Travel by Mr. Wood. Governor Shepardson informed the Secretary later that during the executive session the Board authorized Ralph C. Wood, Associate Adviser in the Division of International Finance, to accompany Governor Mitchell and President Irons of the Federal Reserve Bank of Dallas on their forthcoming trip to Europe for the purpose of attending the annual meeting of the Bank for International Settlements and of visiting a number of European central banks, Mr. Wood's travel to cover approximately the period May 27 to July 1, 1962.

Travel by Mr. Gehman. Governor Shepardson also informed the Secretary that during executive session reference was made to the Board's action on April 20, 1962, authorizing Clayton Gehman, Chief, Business Conditions Section, Division of Research and Statistics, to serve as the United States representative at a meeting of the Conference of European Statisticians Working Group on Industrial Statistics, to be held in Geneva during the latter part of May, and that the Board authorized Mr. Gehman on his return trip from Geneva to stop in London, England, for the purpose of conferring with officials at the Bank of England and others regarding the use of industrial statistics.

At the conclusion of the executive session, the following members of the staff joined the meeting:

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and Statistics
Mr. 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. Holland, Adviser, Division of Research and Statistics
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Spencer, General Assistant, Office of the Secretary

Request for informal hearing by Hempstead Bank. There had been distributed copies of a telegram addressed to Chairman Martin under date of May 8, 1962, by Mr. Bruce Wood Hall, Chairman, Hempstead Bank, Hempstead, Long Island, New York, requesting an informal and confidential hearing with members of the Board for presentation of evidence not previously available, presumably in connection with the application of The Chase Manhattan Bank, New York, New York, to merge with Hempstead Bank. (The Board on April 30, 1962, issued an order denying the application for merger.)

During discussion, the view was expressed that the telegram should not be regarded as a request for reconsideration of the application; any such request, if submitted, would be expected to go through the usual channels prescribed by the Board's Rules of Procedure.
Agreement was then expressed with a suggestion that Chairman Martin telephone Mr. Wood and indicate that available members of the Board would be willing to meet informally with representatives of Hempstead Bank on a mutually convenient date.

Secretary's Note: The meeting was subsequently arranged for Friday, May 11, 1962, at 2:00 p.m.

Circulated or distributed items. 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:

Letter to First National City Bank, New York, New York, authorizing the establishment of a branch in Quito, Ecuador. 3

Letter to The Chase Manhattan Bank, New York, New York, authorizing the establishment of an additional branch in Monrovia, Liberia. 4

Letter to First Pennsylvania Overseas Finance Corporation, Philadelphia, Pennsylvania, granting general consent to purchase and hold stock in generally designated types of corporations. 5

Letter to Bank of Phoebus, Hampton, Virginia, approving the establishment of a branch in the Riverdale Plaza Shopping Center. 6

Telegram to the Federal Reserve Agent at San Francisco authorizing the issuance of a general voting permit to Western Bancorporation, Los Angeles, California, covering stock in Southern Arizona Bank and Trust Company, Tucson, Arizona. 7

Mr. Goodman withdrew from the meeting at this point.
New procedure for presenting branch applications of State member banks. There had been circulated a memorandum dated April 23, 1962, from the Division of Examinations regarding a proposed new procedure for presenting branch applications of State member banks. The memorandum proposed that in the interest of expediting the processing of branch applications, they be handled in the following manner. To the memorandum submitted by a Reserve Bank there would be attached a brief covering memorandum from the Division of Examinations. In those instances where all factors were favorable, the covering memorandum would so state; in those instances where some factor was unfavorable or where some point needed clarification, it would be discussed in the covering memorandum. Further, if that approach was satisfactory to the Board, the Division of Examinations would endeavor to improve the caliber of memoranda submitted by the Reserve Banks. Samples of effective branch presentations would be sent to all the Reserve Banks, and they would be requested to follow the suggested form carefully.

Members of the Board having expressed themselves favorably on the proposed procedure, it was agreed that future branch applications of State member banks would be handled in the manner described in the Division memorandum.

Report on competitive factors (North Attleboro-Mansfield, Massachusetts). There had been distributed, with a memorandum from the Division of Examinations dated May 2, 1962, a draft of report to the
Comptroller of the Currency regarding the competitive factors involved in the proposed consolidation of The First National Bank of Mansfield, Mansfield, Massachusetts, and Manufacturers National Bank of North Attleborough, North Attleboro, Massachusetts. The conclusion in the report read as follows:

The proposed consolidation which would unite two small banks, both controlled by Baystate Corporation, Boston, would have little effect on banking competition.

The report was approved unanimously for transmittal to the Comptroller.

Report on competitive factors (Frederick, Maryland). A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Fredericktown Trust Company, Frederick, Maryland, with The Fredericktown Savings Institution, Frederick, Maryland, had been distributed with a memorandum from the Division of Examinations dated May 2, 1962.

A change suggested by Governor Robertson in the wording of the conclusion of the report having been agreed upon, the report was approved unanimously for transmittal to the Corporation. The conclusion in the report, as approved, read as follows:

The proposed merger of The Fredericktown Trust Company, Frederick, Maryland, with The Fredericktown Savings Institution, Frederick, Maryland, would not have any adverse effect on competition.

Report on competitive factors (Lumberton-Lillington, North Carolina). A draft of report to the Comptroller of the Currency on the
competitive factors involved in the proposed merger of the Bank of Lillington, Lillington, North Carolina, into the Southern National Bank of Lumberton, Lumberton, North Carolina, had been distributed with a memorandum from the Division of Examinations dated May 2, 1962.

The conclusion in the report read as follows:

The proposed merger of the Bank of Lillington, Lillington, North Carolina, into the Southern National Bank of Lumberton, Lumberton, North Carolina, would have little effect on competition. However, it reflects the continuance of a trend in North Carolina toward concentration of banking resources.

The report was approved unanimously for transmittal to the Comptroller.

Program for analysis of banking structure and competition.

On March 1, 1962, discussion was held in connection with a proposed program to expand the Board's work in the analysis of banking structure and competition, and approval was given at that time to certain initial steps toward staffing the program. Subsequently, at the meeting on May 7, 1962, approval was given to the assignment of two members of the Board's staff to undertake experimental analysis in that field.

Mr. Holland now reported on the efforts being made to obtain additional personnel, particularly a full-time staff member to head the program. While no one had yet been located, a number of interviews had been held and recruitment efforts were being continued.

It was understood that the Board would be advised of further developments.
The meeting then adjourned.

Secretary's Notes: On May 8, 1962, Governor Shepardson approved on behalf of the Board the recommendation contained in a memorandum from the Division of Personnel Administration dated May 7, 1962, that the position of Secretary to Mr. Thomas, Adviser to the Board, be abolished 30 calendar days after the retirement of Mr. Thomas becomes effective.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson also approved on behalf of the Board on May 8, 1962, the appointment of the following persons to the Board's staff effective the respective dates of entrance upon duty.

Karl E. Bakke as Senior Attorney, Legal Division, with basic annual salary at the rate of $13,250.

Dorothy Lee Shafer as Clerk Stenographer, Division of Personnel Administration, with basic annual salary at the rate of $4,040.

Pursuant to the recommendation contained in a memorandum from the Division of International Finance, Governor Shepardson today approved on behalf of the Board acceptance of resignation of Marcia G. Patz, Secretary in that Division, effective at the close of business May 25, 1962.

Governor Shepardson noted on behalf of the Board that application for retirement had been filed by Thelma C. Millican, Statistical Clerk, Division of Bank Operations, effective June 1, 1962.
May 9, 1962

The Honorable James J. Saxon,
Comptroller of the Currency,
Washington 25, D. C.

Dear Jim:

This is to confirm our telephone conversation of a few minutes ago regarding your letter of April 30, 1962, informing the Board of a new schedule of charges for providing the Reserve Banks with copies of reports of examination of national and District of Columbia banks. The Board appreciates your willingness to carry over the effective date for the change in charges from June 1 until July 1.

In the meantime, we will be studying the question of these reports and the charges for them, and we will be in touch with you before the end of June.

Sincerely yours,

Bill

Wm. McC. Martin, Jr.
Dear Sir:

By letter of April 30, 1962, the Comptroller of the Currency has advised of a new schedule of charges for providing Federal Reserve Banks copies of reports of examinations of national and District of Columbia banks by his office. The charges would be $100 for each commercial examination report, $50 for each trust department examination report, and $25 for each separately bound report of examination of a branch. While the April 30 letter set June 1 as the effective date for the new charges, the Comptroller has since agreed to defer this to July 1, 1962.

The Board is reviewing this matter, including the various uses made of examination reports of national and District of Columbia banks at the Federal Reserve Banks and the Board, and to what extent, if any, it might be reasonable or appropriate to discontinue or curtail such use or to substitute other sources of information. It would be appreciated if you would furnish the Board with your views on this matter by May 24. It may also be desirable for the Board and the Presidents to discuss the subject following the meeting of the Federal Open Market Committee on May 29, 1962, or at the time of the next meeting of the Conference of Presidents on June 18-19, 1962.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
First National City Bank,
399 Park Avenue,

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes First National City Bank, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Quito, Ecuador; and to operate and maintain such branch subject to the provisions of such Section.

Unless the branch is actually established and opened for business on or before May 1, 1963, all rights granted hereby shall 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.
The Chase Manhattan Bank,
One Chase Manhattan Plaza,

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The Chase Manhattan Bank, New York, New York, pursuant to the provisions of Sections 9 and 25 of the Federal Reserve Act, to establish a branch in the Ducor Palace Hotel, Monrovia, Liberia; and to operate and maintain such branch subject to the provisions of such Sections.

Unless the branch is actually established and opened for business on or before May 1, 1963, all rights granted hereby shall 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.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
May 9, 1962

Mr. William L. Day, President,
First Pennsylvania Overseas Finance Corporation,
Packard Building,
15th and Chestnut Streets,
Philadelphia 2, Pennsylvania.

Dear Mr. Day:

Consideration has been given by the Board of Governors to the request contained in your letter of April 18, 1962, transmitted through the Federal Reserve Bank of Philadelphia, for the Board's general consent to First Pennsylvania Overseas Finance Corporation ("FPOFC") to purchase and hold stock in generally designated types of corporations.

On the basis of the information furnished as to investment policies to be pursued by FPOFC, the Board grants its general consent, for the purposes of the first sentence of Section 211.9(c) of Regulation K, to FPOFC to purchase and to hold shares of stock of any foreign corporation, provided the aggregate investment in any one foreign corporation and its subsidiaries (on a combined basis) shall not exceed 5 per cent of the capital and surplus of FPOFC, subject to the following conditions:

1. This authorization shall be applicable only to investments made on or before December 31, 1962. Options to acquire stocks subsequent to the termination date (December 31, 1962) of the general consent may not be exercised unless specifically approved by the Board or permitted under a then effective general consent.

2. The Board of Governors shall be informed promptly in writing, through the Federal Reserve Bank of Philadelphia, when any such investment is made, together with pertinent details regarding such investments, and the Board of Governors shall be furnished within thirty days after
acquisition: (a) a balance sheet of the corporation whose stock has been acquired, showing the financial position of the corporation as of a recent date, together with an income statement for the preceding fiscal period; (b) a brief description of the business of the corporation; (c) a list of officers and directors, with addresses and principal business affiliations; (d) a description of the stock acquired; (e) information concerning the rights and privileges of the various classes of stock of the corporation outstanding; (f) a list of all stockholders holding 5 per cent or more of any class of stock of such corporation and their holdings; and (g) a brief description of any loan or credit transaction with the corporation in connection with which the stock was acquired. If, upon review of such information, the Board of Governors determines that an investment is contrary to the investment program of FPOFC as submitted to the Board in your letter of April 18, 1962, or is otherwise objectionable to the Board of Governors, FPOFC shall take the necessary steps to divest itself of such investment, upon notice to that effect and within such time as the Board may specify.

(3) Investments by FPOFC under this general consent shall be made in accordance with sound financial policies, including among others, (a) appropriate diversification of its loan and investment portfolios so as to avoid undue concentrations in loans to, and investments in, individual enterprises, industries, or otherwise, and (b) proper regard to the relationship between its assets and the maturities of its obligations.

(4) FPOFC shall be expected to dispose of its holdings of stock of such foreign corporation, as promptly as practicable, in the event that such foreign corporation should at any time (a) engage in the business of issuing, underwriting, selling or distributing securities; (b) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (c) conduct its operations in a manner which, in the judgment of the Board of Governors, is inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

(5) Such investments shall not be made in the shares of financial corporations or holding companies.
(6) The investment in any such foreign corporation shall not include more than 49 per cent of its voting shares or otherwise enable FPOFC to designate a majority of the foreign corporation's board of directors or similar management group.

(7) The aggregate equity investment (at cost) in foreign corporations engaged in the same business (i.e., the manufacture or mining of similar products or the carrying on of similar activities) shall not exceed 25 per cent of FPOFC's capital and surplus.

(8) The aggregate equity investment in all foreign corporations doing business in any one country, colony, possession or dependency shall not exceed 25 per cent of FPOFC's capital and surplus.

(9) Under this general consent, shares shall be acquired only from the issuer directly.

The right is reserved to terminate this general consent upon ninety days' written notice to FPOFC.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
May 9, 1962

Board of Directors,
Bank of Phoebus,
Hampton, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the Riverdale Plaza Shopping Center on the north side of West Mercury Boulevard, Hampton, Virginia, by Bank of Phoebus, Hampton, Virginia, 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.
May 9, 1962

Whitman - San Francisco

KEBJE

A. Western Bancorporation, Los Angeles, California.


C. Prior to the issuance of permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

Stop. Please forward to Dallas Reserve Bank copy of permit issued.

(Signed) Kenneth A. Kenyon

KENYON

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).