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Minutes for May 15, 1962

To: Members of the Board

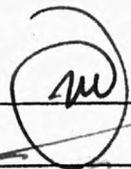
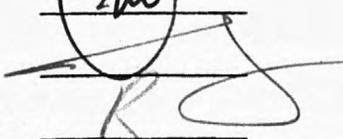
From: Office of the Secretary

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.

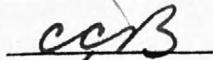
Chm. Martin

Gov. Mills

Gov. Robertson

Gov. Balderston



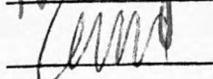
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Tuesday, May 15, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on May 14, 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.

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

	<u>Item No.</u>
Letter to Mohawk National Bank, Schenectady, New York, regarding a proposed time certificate of deposit form.	1

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	<u>Item No.</u>
Letter to Piedmont Trust Bank, Martinsville, Virginia, approving the establishment of a branch in Collinsville.	2
Letter to State Bank and Trust Company, San Marcos, Texas, approving an investment in bank premises.	3
Letter to Chemical International Banking Corporation, New York, New York, regarding its investment in Bank of Liberia, Inc., Monrovia, Liberia.	4
Letter to Counsel for Irving Trust Company, New York, New York, regarding a demand for production of certain reports of examination in connection with a civil proceeding.	5

Messrs. Hooff, Goodman, and Poundstone then withdrew from the meeting.

Report on competitive factors (Wellsville-Bolivar, New York).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in a proposed consolidation of The Citizens National Bank of Wellsville, Wellsville, New York, and State Bank of Bolivar, Bolivar, New York.

Upon suggestion of Mr. Leavitt, it was agreed to make a change in the conclusion, and also in the body of the report, so as to state that the proposed consolidation "might," rather than "would," adversely affect the competitive position of the remaining unit bank in Bolivar.

The report was then approved for transmittal to the Comptroller in a form in which the conclusion read as follows:

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While the proposed consolidation of The Citizens National Bank of Wellsville, Wellsville, New York, and the State Bank of Bolivar, Bolivar, New York, would eliminate only a minor amount of competition which exists between the two banks, it might have some adverse effect on the competitive position of the remaining unit bank in Bolivar, New York.

First Oklahoma Bancorporation case. Mr. O'Connell reported that the Civil Service Commission had selected Charles W. Schneider to conduct the formal hearing ordered by the Board regarding the application of First Oklahoma Bancorporation, Oklahoma City, Oklahoma, for prior approval of actions that would cause it to become a bank holding company.

At Mr. O'Connell's suggestion, the Board designated Mr. Schneider to serve as Hearing Examiner for this purpose.

Mr. O'Connell also advised that an attorney in Washington, D. C., claiming to represent some 30 banks in Oklahoma had filed a motion yesterday requesting a three-day extension, until May 18, 1962, of the time within which representatives of such banks might seek an opportunity to testify at the hearing. This motion would be referred to Hearing Examiner Schneider for appropriate action, along with any similar motions that might be filed. Mr. O'Connell indicated that, as Board Counsel in this proceeding, he might argue before the Hearing Examiner in opposition to certain motions, if filed by the aforementioned attorney, to have various banks admitted as parties to the proceeding, with full right of participation. This would not, of course, prevent representatives of such banks from offering testimony at the hearing.

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No objection being expressed, it was understood that Mr. O'Connell would proceed in his discretion should such motions be filed.

The meeting then adjourned.

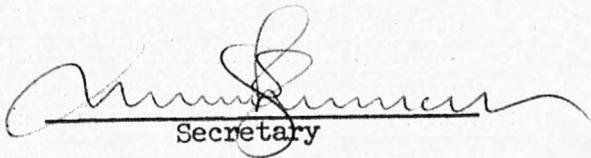
Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Appointment

Nancy Lee Troy as Clerk-Stenographer in the Division of Personnel Administration, with basic annual salary at the rate of \$4,145, effective the date of entrance upon duty.

Establishment of new position and appointment thereto

Position of Research Assistant established in the Europe and British Commonwealth Section of the Division of International Finance; Rosemary Darlington appointed to that position, with basic annual salary at the rate of \$4,830, effective the date of entrance upon duty.


Secretary

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

Item No. 1
5/15/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 15, 1962

Mr. A. G. Williams, Auditor,
Mohawk National Bank,
Schenectady, New York.

Dear Mr. Williams:

This refers to your letter of April 20, 1962, containing a typed facsimile of a time certificate of deposit which may be used by your bank, and requesting the Board's opinion with respect to it.

The certificate seems to be in proper form. However, you may wish to give further consideration to the desirability of its use, since the provisions allowing withdrawal upon a certain number of days' or months' written notice may have this effect:

If the maturity of the certificate is, for example, fixed at two years and the bank pays interest quarterly, semiannually, or annually, but the customer withdraws his deposit upon 30 days' notice during the second year, no more than one per cent interest can be paid on the certificate regardless of how long the funds have actually been on deposit (1953 Federal Reserve Bulletin 1050). Accordingly, it would be necessary for the bank to recompute interest paid from date of deposit to date of withdrawal and recoup the interest paid at more than one per cent during the whole term of the certificate. Naturally, the longer the term of the certificate, the greater the amount to be recovered by the bank, which, of course, could present public relations problems. This position may seem severe, but is necessary to prevent a customer from receiving more than one per cent interest, while having his deposit available at all times upon 30 days' notice, which is the maximum interest that may be paid on a 30 day time deposit.

Also, the last sentence stating that the certificate shall be subject to the regulations of the Federal Reserve Board might appropriately be amplified to indicate more specifically that the maximum rate of interest is subject to adjustment by the Board.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
5/15/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1962

Board of Directors,
Piedmont Trust Bank,
Martinsville, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Piedmont Trust Bank, Martinsville, Virginia, of a branch in Collinsville, Henry County, Virginia, provided the branch is established within 12 months from the date of this letter.

In accordance with recently enacted State legislation, the Board understands that the branch will not be established prior to June 29, 1962.

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
5/15/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1962

Board of Directors,
State Bank and Trust Company,
San Marcos, Texas.

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 State Bank and Trust Company, San Marcos, Texas, of \$252,480.

In accordance with your agreement with the State Commissioner of Banking, the Board of Governors understands that the bank is to

- (1) increase the capital stock of the bank to \$200,000 by payment of a 100 per cent stock dividend or
- (2) reduce the book value of the investment in bank premises by charge-off to an amount equaling not more than 50 per cent of capital and certified surplus.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 4
5/15/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 15, 1962

Mr. Clinton C. Johnson, Executive Vice President,
Chemical International Banking Corporation,
20 Pine Street,
New York 8, New York.

Dear Mr. Johnson:

Reference is made to Assistant Secretary Luckey's letter of March 19, 1962, advising that the closing of the Agreement between Chemical International Banking Corporation and Bank of Liberia, Inc. took place in Monrovia, Liberia, on February 14, 1962. Mr. Luckey enclosed copies of (a) the Agreement dated as of July 1, 1961, between CIBC and Bank of Liberia, Inc. together with a Supplement dated December 15, 1961, incorporating a number of amendments to the Agreement and (b) "AN ACT TO AMEND THE ACT INCORPORATING THE BANK OF LIBERIA" as passed by the National Legislature of the Republic of Liberia and approved by the President of Liberia on January 19, 1962.

It has been noted that CIBC purchased 2,380 shares, or 47.6 per cent, of the capital stock of Bank of Liberia, Inc. at a price of \$110 per share or \$261,800.

Your letter of November 17, 1961, referred to the Board's letter of August 29, 1961, granting consent for CIBC to purchase 2,450 shares of Bank of Liberia, Inc., subject to three specified conditions, and requested modification in Conditions 1 and 2. However, on the basis of your letter of January 5, 1962, subsequent informal discussion between you and Vice President Crosse of the Federal Reserve Bank of New York, and conversations which Mr. Goodman of the Board's Division of Examinations had with you and Vice President and Director Dribben during the recent meetings of the Bankers Association for Foreign Trade in Boca Raton, it is understood that your Corporation now perceives no problems in conforming to the conditions as specified in the Board's letter of August 29, 1961. In the circumstances, it is understood that no further consideration need be given to the request of November 17, 1961, for modification in Conditions 1 and 2.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Clinton C. Johnson

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Treasurer Beam's letter of December 5, 1961, advised that Bank of Liberia, Inc. had opened its first branch office in the Town of Lower Buchanan in Grand Basa County, Liberia. Your letter of January 5, 1962, also made reference to the opening of this branch. As indicated informally to Mr. Beam on the occasion of his visit to the Board's offices on December 4, 1961, in company with Director Perkins of CIBC, since CIBC had not then actually made its investment in Bank of Liberia, Inc. such action would not be considered as inconsistent with the conditions of the Board's consent.

Your letter of February 6, 1962, mentioned (1) that Bank of Liberia, Inc. had under consideration the establishment of one, and possibly, two branch offices in the City of Monrovia; (2) that the Bank contemplated the opening of a branch in a new town, name unknown, being built by Liberian American-Swedish Minerals Company ("LAMCO") to support the banking needs of employees of one of its mining projects in the District of Nimba, a location about 160 miles from Monrovia; and (3) that some thought was being given to the establishment of a mobile banking unit which would operate from Monrovia to the new town and Nimba.

Under Condition 1 of the Board's letter of August 29, 1961, the consent of the Board of Governors should be obtained prior to the establishment of any branch, agency, or mobile banking unit. Accordingly, in order that Board consideration may be given prior to the time it is desired to open any such facility and to expedite the consideration of applications for the establishment of such facilities, it would be helpful to the Board if you would furnish, through the Federal Reserve Bank of New York, in connection with each such application, information in summary form regarding reasons for establishment, need for banking facilities, distance from other offices of the institution, prospects for profitable operation, nature and volume of business expected, and investment in banking quarters. The Board ordinarily would not need for its consideration any more information than that which would be essential for CIBC to have in order to make its decision regarding the desirability of establishing a particular office. Upon receiving such information, the Board will endeavor to give prompt consideration to the request so that you may be informed as to the Board's action with a minimum of delay.

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
5/15/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1962



Silas M. R. Giddings, Esq.,
Winthrop, Stimson, Putnam & Roberts,
40 Wall Street,
New York 5, New York.

Dear Mr. Giddings:

Reference is made to your letter of May 1, 1962, in which you advised the Board of the pendency in the United States District Court for the Southern District of New York of a civil action instituted by Trans World Airlines, Inc., against Howard R. Hughes, Hughes Tool Company and another, in which Irving Trust Company, whom your firm represents, has been made an additional defendant on counter-claims interposed by Hughes Tool Company. You advise further that an order has been issued, pursuant to Rule 34 of the Federal Rules of Civil Procedure, calling for production by Irving Trust Company of documents in its possession, among which are reports of examination of the Bank prepared by the Federal Reserve Bank of New York covering the period 1939 to date. The production demanded is understood to be for the purpose of allowing Counsel for Hughes Tool Company to examine and make copies of these materials.

As to the above-mentioned reports of examination, it is understood that, on behalf of Irving Trust Company, you have interposed an objection to the production of these reports before the Special Master designated by the Court to preside over the taking of depositions and to rule upon all matters relating thereto. It is understood also that the Special Master will rule upon the question of production involved on or after May 18. You ask to be advised as to whether, assuming that the Special Master rules that the reports of examination in question should be made available for examination and copying, the Board authorizes their production.

You are advised that on the basis of the information furnished by you, the Board has determined that production of the reports of examination demanded would not be in the public interest and, accordingly, declines to authorize such production. It is understood that you are

Silas M. R. Giddings, Esq. -2-

familiar with the procedures set forth in section 261.5(a) and (b) of the Board's Rules Regarding Information, Submittals and Requests, and that you are prepared to base your declination to produce upon these Rules. In this connection, it is requested that particular attention be given to the requirement in the Rules as to prompt advice to the Board in the event the Special Master or Court ultimately requires production.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.