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Minutes for June 14, 1962

To: Members of the Board

From: Office of the Secretary

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

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

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Thursday, June 14, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. King

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Sprecher, Assistant Director, Division of Personnel Administration  
Mrs. Semia, Technical Assistant, Office of the Secretary  
Mr. Young, Senior Attorney, Legal Division  
Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Circulated items. The following items, which had been circulated to 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 Bankers Trust Company, New York, New York, approving the establishment of a branch at 1660 Second Avenue, Borough of Manhattan.	1
Letter to the Federal Reserve Bank of New York regarding the status of Jamcor, Inc., Hewlett Bay Park, New York, as a holding company affiliate.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Security Trust Company, St. Louis, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3

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Conflicts of interest. There had been circulated a memorandum dated June 5, 1962, from the Division of Personnel Administration. The memorandum pointed out that on November 13, 1961, the Board informed its employees and consultants of the existing laws relating to conflicts of interest by Government personnel. The 1961 memorandum grew out of the President's special message to Congress of April 27, 1961, on conflicts of interest. That message had now been supplemented by a memorandum from the President dated February 9, 1962, directing all Government departments and agencies to take administrative steps to oversee the activities of advisers and consultants employed by the Government in order to insure that the public interest was protected from improper conduct, and that advisers and consultants would not, through ignorance or inadvertence, embarrass the Government or themselves.

The President's memorandum discussed the need for disclosure of financial interests by consultants and stated that each department or agency of the Government should at the time of the employment of a consultant or adviser require him to supply a statement of his private employment and financial interests. The statement was to indicate the names of all companies, firms, research organizations, and educational institutions in which he served as a member, officer, employee, director, or consultant and also companies in which he had any other significant financial interests. It was pointed out that the consultant or adviser need not reveal the precise amounts of investment. Each statement of

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financial interest was to be sent to the chief legal officer of the department or agency concerned for information and for advice as to possible conflicts of interest, and it was required that the statement from the consultant be kept current during the period of his employment.

Attached to the Division memorandum were a pamphlet copy of the President's memorandum and a proposed questionnaire to be filled in by consultants. The Division recommended that these be sent to the Board's consultants, and attached a draft of transmittal memorandum for that purpose. The Division had reviewed this material with the Legal Division.

The Division memorandum noted that the Board at present employed six or seven consultants. While several of those appointments were open-ended, it was thought advisable to restrict the period of appointments to the calendar year, with specific renewals. Consequently, the Division proposed that by the first of 1963 each consultant be informed that his appointment was being extended only through the ensuing calendar year and that renewal, if necessary, would be on a year-to-year basis.

During discussion it was brought out that it was understood to be the intention that eventually all employees of the Government would be brought under the requirements now proposed for consultants. The implementation of the plan covered consultants as a first step because it was thought that the possibilities of conflicts of interest were greater than in the case of full-time employees. The questionnaire

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devised by the Division of Personnel Administration was intended to comply with the minimum terms of the President's request; if it developed that the questionnaire devised for general use by Government agencies went farther, the Board could consider amending its questionnaire.

It was observed that the President's memorandum referred to "advisers and consultants." Since the Board had "advisers" on its full-time staff, however, the suggestion was made that misunderstanding might be avoided if the Board questionnaire referred to "consultants" only. Question then was asked whether economists who were brought in for a seminar, and who were paid a fee, must be considered consultants for this purpose. Responses indicated that that appeared to be the case. This led to the comment that if a professor of economics, for example, were asked to come to Washington for a seminar, but found that he must file the proposed questionnaire, he might well conclude against participation in the meeting. Thus, question was raised whether a line could not properly be drawn to exclude persons such as seminar participants from the definition of "consultant."

After further discussion of possible problems that might arise according to the definition of "consultant," there was general agreement that the matter should be held for further consideration by the Board. In the meantime, it was understood that the Division of Personnel Administration would inquire among the personnel officers of other agencies to determine what interpretations were being made by those agencies.

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Bank Holding Company Act. At the request of Governor Mills, it was understood that the Legal Division would prepare a memorandum on the Board's statutory responsibilities in bank holding company cases where question was raised as to the possibility of an intent to circumvent State laws on branch banking.

Protest against Whitney decision. Mr. Sherman referred to a recently circulated memorandum dated June 1, 1962, regarding a visit that President Bryan of the Federal Reserve Bank of Atlanta had had from Mr. Lawrence A. Merrigan, President of Bank of New Orleans and Trust Company, regarding the formation of Whitney Holding Corporation and its operations in Jefferson Parish, Louisiana. Mr. Sherman noted that the Board's order approving the application of Whitney Holding Corporation was dated May 3, 1962, and that the Bank Holding Company Act allowed sixty days from the date of such an order within which judicial review might be sought. There had been indications that Mr. Merrigan's bank might join with two others, Merchants Trust and Savings Bank, Kenner, Louisiana, and Guaranty Bank and Trust Company, Lafayette, Louisiana, in seeking judicial review of the Board's decision. However, the three banks late yesterday filed a petition with the Board for reconsideration of its decision.

The information reported by Mr. Sherman was noted, with the comment that the Board should act on the petition for reconsideration promptly, in order not to deprive the three banks of their right to institute court proceedings if the petition should be denied.

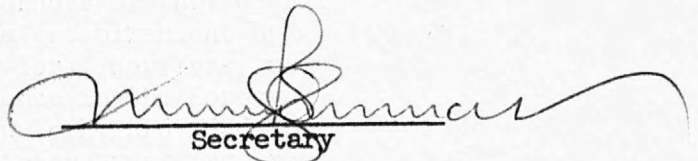
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The meeting then adjourned.

Secretary's Notes: The steps contemplated by the Board's action of May 22, 1962, in issuing preliminary permits to First Chicago International Banking Corporation, New York, New York, and First Chicago International Finance Corporation, Chicago, Illinois, having been completed, final permits to commence business were issued to those corporations on June 13 and June 14, 1962, respectively.

Pursuant to the recommendation contained in a memorandum from the Division of Administrative Services, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of James J. Cava, Tabulating Equipment Operator in that Division, effective at the close of business June 22, 1962.

  
Secretary

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

Item No. 1  
6/14/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 14, 1962

Board of Directors,  
Bankers Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bankers Trust Company, New York, New York, of a branch at 1660 Second Avenue in the Borough of Manhattan, New York, New York, 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. 2  
6/14/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 14, 1962

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

Dear Mr. Crosse:

This refers to your letter of May 24, 1962, in which you state that Mr. J. A. Melnick of New York City has purchased control of the American Trust Company of New York and plans to retain a majority of the outstanding stock in the name of his personal holding company, Jamcor, Inc., of Hewlett Bay Park, New York. Your letter raises the question of the possibility of Jamcor's now having become a bank holding company affiliate as defined in section 2(c) of the Banking Act of 1933, as amended.

In its letter of February 12, 1959, the Board of Governors informed Mr. Melnick of its determination that Jamcor was not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c), and that, accordingly, Jamcor, Inc., was not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act.

This determination was made because at that time Jamcor owned the majority of the stock in only one bank and did not own or control any stock of, or manage or control, any other banking institution. That factual situation has not substantially changed. Jamcor still owns the majority of stock in only one bank, the American Trust Company. The fact that it also owns a very small percentage (0.5 per cent) of the stock of a second bank, the Meadow Brook National Bank, does not, in the opinion of the Board, call for rescission of the outstanding determination. It will be appreciated if your Bank will so inform Mr. Melnick.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 3  
6/14/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



June 14, 1962

The Honorable Erle Cocks, Sr., Chairman,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Cocks:

Reference is made to your letter of June 5, 1962,  
concerning the application of Security Trust Company,  
St. Louis, Missouri, for continuance of deposit insurance  
after withdrawal from membership in the Federal Reserve  
System.

No corrective programs which the Board of Governors  
believes should be incorporated as conditions to the continu-  
ance of deposit insurance have been urged upon or agreed to by  
the bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.