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, July 24, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Balderston, Vice Chairman

Mr. Robertson Mr. Shepardson

Mr. King

Mr. Mitchell

Mr. Sherman, Secretary

Mr. Kenyon, Assistant Secretary

Mr. Molony, Assistant to the Board

Mr. Cardon, Legislative Counsel

Mr. Fauver, Assistant to the Board

Mr. Hackley, General Counsel

Mr. Farrell, Director, Division of Bank Operations

Mr. Solomon, Director, Division of Examinations

Mr. Hooff, Assistant General Counsel

Mr. Benner, Assistant Director, Division of Examinations

Mr. Mattras, General Assistant, Office of the Secretary

Mr. Langham, Chief, Call Report Section, Division of Bank Operations

Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on July 23, 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 members of the Board and

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copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	Item No.
Letter to Security-Peoples Trust Company, Erie, Pennsylvania, approving an additional investment in bank premises.	1
Letter to the Federal Reserve Bank of Richmond interposing no objection to the acquisition of Burroughs B-270 high-speed check processing equipment on a rental basis, under purchase option.	2
Letter to The Citizens Bank of Abilene, Kansas, Abilene, Kansas, approving the establishment of a branch at 502 North Cedar Street.	3
Letter to First National Bank of Waterloo, Waterloo, New York, approving its application for fiduciary powers.	4
Letter to The National Bank of Albany, Albany, Georgia, approving its application for fiduciary powers.	5
Letter to Bank of the Commonwealth, Detroit, Michigan, granting its request for permission to exercise fiduciary powers.	6
Letter to The Citizens National Bank of Chillicothe, Chillicothe, Missouri, approving its application for fiduciary powers.	7
Gloucester, Virginia, denying its application fiduciary powers.	8
Letter to the Deputy Comptroller of the Currency regarding the status under the Supplement to Regulation Q of the "grace period" provision for receiving deposits and paying interest.	9

	Item No.
Letter to Citizens Bank and Trust Company, Park Ridge, Illinois, granting its request for a city.	10
of the date by which corrections under the	
United Security Account Plan were to be terminated.	
Letter to Board Counsel granting permission to file a reply to the memorandum from Continental Bank and Trust Company, Salt Lake City Heal	11
Dismiss and Demand for Final Order. (Governor Robertson did not portionate in the consideration	
of or action on this matter.)	

The foregoing Items 9 and 10 are attached in the form in which they were approved following consideration of suggestions made at the meeting for changes in the draft letters that had been previously distributed to the Board.

Report on competitive factors (Wellsville-Bolivar, New York). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The First National Bank of Bolivar, Bolivar, New York, into The First Trust Company of Allegany County, Wellsville, New York. The conclusion of the report read as follows:

The proposed merger of The First National Bank of Bolivar, Bolivar, New York, into The First Trust Company of Allegany County, Wellsville, New York, would eliminate existing competition between the subject institutions. Further, the proposal reflects the continuance of a trend in Allegany County, New York, toward concentration of banking resources in two relatively large banks.

After a brief discussion, during which certain changes in the body of the report and in the conclusion were agreed upon, the report was approved unanimously for transmittal to the Corporation in a form in which the conclusion read as follows:

The proposed merger of The First National Bank of Bolivar, Bolivar, New York, into The First Trust Company of Allegany County, Wellsville, New York, Would eliminate only slight competition existing between the subject institutions. However, the proposal reflects the continuance of a trend in Allegany County, New York, toward concentration of banking resources in two banks.

Mr. McClintock then withdrew from the meeting.

Chain banking survey (Items 12 and 13). There had been distributed a draft of letter proposed to be sent to those member banks (about 1,100 out of 6,100) that had not responded to the Board's letter of May 25, 1962, requesting certain information in connection with a study of direct and indirect controls in banking. The survey was being undertaken by the Board following consideration of a request from Congressman Patman, Chairman of the House Select Committee on Small Business. The proposed letter would repeat the Previous request for the desired information on the chance that the bank addressed may not have received the earlier Board letter or may have inadvertently failed to respond.

During discussion of the matter, Mr. Cardon stated his understanding from the staff of the Committee that subpoenas might be served on those banks that willfully refused to reply. It was understood that Congressman Patman would like to have at some point a list of the banks that did not respond, but that he had suggested a follow-up letter because the failure of some banks to respond may have been inadvertent. (In a letter to Chairman Martin dated July 23, 1962, copies of which were distributed to the members of the Board prior to this meeting, Congressman Patman inquired about the status of the survey, asked how many banks and bank holding companies had reported, and requested a list of the non-reporting banks and bank holding companies after a reasonable cut-off date.)

In reply to a question, it was stated that the replies to the Board's letter of May 25 were distributed fairly consistently among the Reserve districts. In Minnesota, where the Commissioner of Banks had advised State member banks not to supply the requested information following his receipt of an opinion from the State Attorney General, only one out of about 50 State member banks had replied to the Board's letter.

In the circumstances, it was agreed that the proposed followup letter should be sent, subject to the understanding that certain
editorial changes would be made in the draft that had been distributed.

Later during the meeting, the Board gave further consideration to the proposed letter at the request of Governor King. After some discussion, it was decided to eliminate language suggesting that the hon-reporting banks and bank holding companies provide a statement of their reasons for not supplying the desired information.

The letter, as thus revised, was approved unanimously. A copy of the letter, as subsequently sent to the banks that had not thus far reported, is attached as Item No. 12; a similar letter was sent to the non-reporting bank holding companies. Attached as Item No. 13 is a copy of the letter sent by Chairman Martin to Congressman Patman in reply to the Congressman's letter of July 23, 1962.

Messrs. Cardon and Mattras then withdrew from the meeting and Messrs. Young, Adviser to the Board and Director, Division of International Finance, and Noyes, Director, Division of Research and Statistics, entered the room.

Possible amendments to Regulation Q. At the meeting of the Board on May 22, 1962, it was understood that the Legal Division would submit a memorandum setting forth arguments for and against certain possible amendments to Regulation Q, Payment of Interest on Deposits, in light of the development of various practices by member banks in competing for time and savings deposits. A memorandum prepared by Mr. Hackley under date of June 19, 1962, had now been distributed to the Board.

One practice that had given rise to questions, the memorandum pointed out, was the issuance by some banks of long-maturity time certificates providing for interest at the present maximum permissible rate. In May of this year the Board had given preliminary consideration

to a possible amendment to Regulation Q that would require member banks to reduce the rate of interest stipulated in outstanding contracts if the Board at some time in the future should reduce the maximum permissible rate. Comments regarding such an amendment were requested from the other Federal bank supervisory agencies and the Federal Reserve Banks, but some of the comments had not yet been received. Therefore, it seemed advisable to defer consideration of this possible amendment.

However, other practices that had developed in recent months likewise had suggested a possible need for amendments to prevent the improper use of savings deposits or to liberalize amendments adopted for this purpose in January 1962. Falling into three categories, such amendments would:

- 1. Prevent short-term deposits in savings accounts solely for the purpose of profiting from the practice followed by some banks of paying interest on a "daily basis":
- 2. Modify amendments adopted in January 1962 Prohibiting agreements for periodic withdrawals from Savings deposits so as to permit such withdrawals in order (a) to purchase U. S. Savings Bonds, (b) to transfer funds to a time deposit account, and (c) to pay regular installments due on any loans made to the depositor; and
- 3. Prohibit the representation of savings deposits instruments having fixed maturities.

As to each of these possible amendments, the memorandum summarized the background, presented arguments for and against the amendment, suggested

the form such amendment might take if the Board considered the amendment desirable, and indicated Mr. Hackley's recommendation.

In concluding his memorandum, Mr. Hackley expressed the view that further amendments to Regulation Q should be adopted only if they seemed clearly to be necessary to implement the statute and prevent evasions, and if they could be so clearly worded as to avoid or minimize further questions of interpretation. With these considerations in mind, he recommended:

- 1. As to the "daily-interest" problem-
- a. That no amendment to the Regulation be adopted or published for comment unless and until there was more evidence of development of the possible misuse of the "daily-interest" practice; but
- b. That, if the Board should now wish to consider an amendment, it would be preferable, from among the various possibilities, to publish for comment a proposed amendment excluding deposits above a specified amount from the definition of a savings deposit.
- 2. As to the suggestions for additional exceptions to the prohibition of periodic withdrawals from savings deposits-
- a. That no amendments of the kind suggested be considered at this time; and
- b. That the New York Reserve Bank be advised that, while its suggestions would be considered further if the problem should become more serious, they were not being considered at this time.
- As to representation of savings deposits by certificates with fixed maturities-

a. That the Board request comments from the other Federal bank supervisory agencies and the Federal Reserve Banks as to a possible amendment that would prohibit representation of savings deposits by such certificates.

As a possible alternative procedure, Mr. Hackley's memorandum suggested that the Board might send to the Federal Reserve Banks and to the Federal bank supervisory agencies a copy of the memorandum, after deletion of the recommendations made therein and with such other changes as might be appropriate, but with a request for comments as to the desirability of the suggested amendments. Then, in the light of the views received, the Board could decide whether to publish any of the possible amendments in the Federal Register for comments by the public.

At the request of the Board, Mr. Hackley reviewed in some detail the possible amendments discussed in his memorandum. He concluded his oral presentation by suggesting that the Board might wish to consider following the alternative procedure stated at the end of the memorandum.

In the ensuing discussion, Governor Robertson expressed the view that the Board should not act at this time on amendments such as outlined under either the first or the second category in Mr. Hackley's memorandum. He was not sure, however, that everyone Would agree with Mr. Hackley that in the absence of evidence of abuse of the "daily-interest" practice, the Board should not act.

Perhaps it would be appropriate to act to forestall any abuse of the practice. With respect to the third category of items discussed in the memorandum, Governor Robertson was inclined to feel that the Board should act to amend Regulation Q. However, he thought it would be desirable first to obtain the views of the Federal Reserve Banks and the other Federal bank supervisory agencies. He would suggest, in this connection, that the memorandum be edited so as to delete the Views of Mr. Hackley and also the references to the specific source of the various suggestions.

Mr. Hackley said he had had in mind that the memorandum, if transmitted for comments, would be edited along the lines suggested by Governor Robertson.

Mr. Farrell commented at this point that if the memorandum Was going to be transmitted for comments, he would like to suggest exploration of another possible alternative. As stated in Mr. Hackley's memorandum, Regulation Q had always involved difficult questions of interpretation, as illustrated by the amendments adopted in January of this year. When amendments were aimed at a specific situation, further problems tended to arise. He could not help but feel that a move toward casting the Regulation in simpler terms would serve a good purpose. If the Board could say that a demand deposit was one that could be withdrawn by the depositor at will, but that a savings deposit could be withdrawn only after 30 days' notice, that

alone might take care of many problems. However, the Board might not want to go to that extreme. Therefore, the Board might say, in effect, that if a savings deposit was withdrawn without 30-day notice having been given, no interest would be paid on the account for the three-month period during which the withdrawal was made. The Board might also say that a savings deposit could not be paid to a third person.

Mr. Hackley commented that, if he understood Mr. Farrell's approach correctly, he was inclined to be somewhat pessimistic. It might solve some problems but give rise to others, and the public reaction might be adverse. However, it was something that should be considered.

Comments by members of the Board also reflected a view that the approach was worthy of consideration. The suggestion was made that, if the memorandum from Mr. Hackley was transmitted to the Reserve Banks and the Federal bank supervisory agencies for comment, a proposal along the lines mentioned by Mr. Farrell might be incorporated in the memorandum in order to obtain views on it.

Governor Balderston inquired as to the desirability, if the memorandum were transmitted for comments, of including therein reference to the possibility of amending Regulation Q for the purposes set forth in the second category of the items covered in the memorandum. He suggested that those receiving the memorandum might be led to believe

that an amendment for such purpose was favored by the Board, whereas he felt--like Governor Robertson and Mr. Hackley--that the Regulation should not be amended along such lines.

Mr. Hackley noted, in this connection, that the suggestion for amending Regulation Q in this manner had come from the Federal Reserve Bank of New York. The Board would have to reply to the Reserve Bank at some time. Also, it was possible that if the Reserve Banks and the supervisory agencies had an opportunity to review this suggestion, they might make additional suggestions that the Board in the end might conclude to be desirable.

There followed, at the instance of Governor Shepardson, a rather extensive discussion of the reasons why certain types of organizations were permitted to maintain savings accounts. In the course of the discussion, Mr. Hackley brought out that this question was considered a few years ago, at which time the Federal Reserve Banks were rather generally opposed to the idea of limiting savings accounts to individuals, with the result that the Board dropped the matter. One of the suggestions discussed in the current memorandum, however, was to limit the maximum amount of a savings account to a certain figure, say \$25,000, which might to some extent take care of the problem referred to by Governor Shepardson as well as curb abuse of the "daily-interest" practice.

Mr. Noyes noted that a principal argument for permitting certain kinds of organizations to maintain savings accounts had

related to the large number of organizations, described generally as being of a charitable nature, that were operated by people who were not experts in the financial field. It had been thought that it would be useful and convenient to such organizations to be able to place idle funds in savings accounts, from which such funds could be withdrawn on reasonably short notice. Such organizations, it was suggested, could not use time deposits effectively.

Mr. Hackley commented that before 1936 the Board defined a savings deposit as any deposit for a bona fide thrift purpose. However, that definition proved unworkable, and the Regulation was amended in 1936 to provide a definition in terms of the nature of the depositor. He assumed that at that time there may have been suggestions and pressure to permit not only individuals but charitable and religious organizations to have savings accounts. This, however, had raised many questions of interpretation.

The discussion then reverted to the question of the action
to be taken with respect to Mr. Hackley's memorandum. It was agreed
that the memorandum, edited in the manner suggested earlier during
this meeting and augmented to include reference to an approach along
the lines suggested by Mr. Farrell, should be transmitted to the
Federal Reserve Banks, the Comptroller of the Currency, and the Federal
Deposit Insurance Corporation for comment, following which the Board
Would consider, in the light of comments received, whether any of the

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suggested amendments to Regulation Q should be published in the Federal Register for comments from the public.

Secretary's Note: The memorandum, appropriately edited and augmented along the lines contemplated by the foregoing action, was transmitted to the Federal Reserve Banks and to the other Federal bank supervisory agencies under date of August 29, 1962, with a request for their comments by September 28, 1962.

All of the members of the staff then withdrew and the Board Went into executive session.

Designation of Governor Shepardson. The Secretary was informed later by the Chairman that during the executive session the Board had vested in Governor Shepardson for the year beginning August 1, 1962, the direction of its internal affairs that are of a managerial nature. This meant that the Directors of Divisions would continue to take up with him matters pertaining to Board personnel, budget, and housekeeping. The Board as a whole would continue to keep in touch with the operating problems of the staff and would determine questions of policy.

The designation continued Governor Shepardson's authorization to approve travel requests, in accordance with the provisions of the official travel regulations of the Board.

The action also continued Governor Shepardson's authorization to approve on behalf of the Board (1) all proposed personnel actions relating to Board employees other than members of the official staff;

and (2) the proposed appointment of examiners, assistant examiners, and special or special assistant examiners of the Federal Reserve Banks. It continued to be the understanding that all approvals by Governor Shepardson under the authorization of this paragraph would be entered in the minutes as of the date of his approval.

The meeting then adjourned.

Secretary

OF THE

FEDERAL RESERVE SYSTEM

Item No. 1 7/24/62

WASHINGTON 25, D. C.



July 24, 1962

Board of Directors, Security-Peoples Trust Company, Erie, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 2hA of the Federal Reserve Act, an additional investment of \$52,500 in bank premises by Security-Peoples Trust Company, Erie, Pennsylvania, for the purpose of purchasing a lot and improvements adjoining its customers' parking lot at its branch office at 18th and State Streets, Erie, Pennsylvania.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

Item No. 2 7/24/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Mr. Aubrey N. Heflin, First Vice President, Federal Reserve Bank of Richmond, Richmond 13, Virginia.

Dear Mr. Heflin:

This refers to the acquisition of a Burroughs B-270 system for high-speed processing of checks at the Head Office, as set out in your letter of December 7, 1961, which was noted in the Board's letter of December 21, 1961, with the understanding that the Board would be advised later whether such equipment would be acquired on a rental basis with a purchase option or by outright purchase.

Your July 12 letter states that a decision has now been reached to rent this equipment, with the addition of a B-303 Card Punch, at a total monthly rental of \$6,815, and that the decision to acquire the equipment on a rental basis rather than by outright purchase is based on the following circumstances:

- Much of this equipment is still experimental and has not been fully tested.
- 2. The Bank will need at least a year's experience with this equipment under the MICR program in order to plan more accurately for the future.
- 3. The equipment may be obsolete or unsuitable for the Bank's future needs, or both, before the cost of rentals equals the net cost of purchase.
- 4. The net difference between renting for a year and buying now will be relatively minor (\$13,000) if the Bank decides to exercise its option to purchase the equipment at the end of a year.

Objection to the acquisition of the Burroughs B-270 high-speed check processing equipment on a rental basis, as proposed in your letter of July 12, 1962.

Very truly yours, (Signed) Merritt Sherman

Merritt Sherman, Secretary.



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3 7/24/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Board of Directors, The Citizens Bank of Abilene, Kansas, Abilene, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Citizens Bank of Abilene, Kansas, of a branch at 502 North Cedar Street, Abilene, Kansas, provided the branch is established Within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 4 7/24/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Board of Directors, First National Bank of Waterloo, Waterloo, New York.

Gentlemen:

has given consideration to your application for fiduciary powers and grants First National Bank of Waterloo authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of New York. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,
(Signed) Elizabeth L. Carmichael



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 5 7/24/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE

July 24, 1962

Board of Directors, The National Bank of Albany, Albany, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The National Bank of Albany authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Georgia. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 6 7/24/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Board of Directors, Bank of the Commonwealth, Detroit, Michigan.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to Bank of the Commonwealth to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Michigan.

Very truly yours,

(Signed) Elizabeth L. Carmichael



FEDERAL RESERVE SYSTEM

Item No. 7 7/24/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Board of Directors, The Citizens National Bank of Chillicothe, Chillicothe, Missouri.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary Powers and grants The Citizens National Bank of Chillicothe authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Missouri. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 8 7/24/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Board of Directors, Peoples National Bank of Gloucester, Gloucester, Virginia.

Gentlemen:

The Board of Governors has given consideration to the application for fiduciary powers made on behalf of the proposed Peoples National Bank of Gloucester, Gloucester, Virginia.

In passing upon an application for permission to exercise the fiduciary powers authorized by Section 11(k) of the Federal Reserve Act, the Board gives special consideration to a number of factors having a bearing on the proper exercise of the fiduciary authority requested. In the case of an established bank, such factors include the general condition of the bank, the adequacy of its capital funds, the general character and ability of the management of the bank, the qualifications and experience of the proposed executive officer of the trust department and the needs of the community for trust service of the kind applied for.

It is believed that an appraisal of the general condition of the bank and the demonstrated ability of management to operate the bank in a sound and successful manner is of particular importance when the bank desires to assume the additional duties, responsibilities and possible liabilities incident to the exercise of trust powers. Such an appraisal of your bank will, of course, be possible only after the institution has been in operation for a sufficient time to provide information on these points.

It is the conclusion of the Board, therefore, that the request for authority to exercise fiduciary powers should not be granted.

Very truly yours,

(Signed) Elizabeth L. Carmichael

OF THE



Item No. 9 7/24/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 24, 1962

Mr. C. C. Fleming, Deputy Comptroller of the Currency, Treasury Department, Washington 25, D. C.

Dear Mr. Fleming:

This refers to your letter to the Board of June 19, 1962, enclosing a copy of a letter of June 7, 1962, to the Comptroller of the Currency from Mr. Carland Smith, attorney for The Central National Bank of Okmulgee, Oklahoma. Mr. Smith presents the following question:
(1) Did the Supplement to Regulation Q which became effective January 1, 1962, supersede the "grace period" provision for receiving deposits and paying interest provided in section 217.3(d) of Regulation Q and (2) if not, and the "grace period" provision is still in effect, is it permissible for the bank to allow savings depositors who have had their funds in the bank from December 1st of one calendar year to withdraw their funds on one of the last three business days in November of the following calendar year and still pay to the depositor the amount of interest which would have accrued if the funds had been left in the account a full and complete twelve months?

The Board's recent amendment to the Supplement to Regulation Q, establishing maximum interest rates member banks may pay on time and savings deposits, did not supersede the provisions of section 217.3(d) with respect to so-called "grace periods". Therefore, savings depositors who have had funds in the bank from December 1st of one calendar year and withdraw such funds on one of the last three business days in November of the following year may receive the maximum interest payable for a full and complete twelve months. In other words, the maximum interest of 4 per cent may be paid on a deposit made during the first ten calendar days of December of one year and withdrawn during the last three business days of November of the succeeding year. Of course, the 4 per cent rate does not apply to the month of December 1961 when the maximum rate was 3 per cent.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.



OF THE

FEDERAL RESERVE SYSTEM

Item No. 10 7/24/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE

July 24, 1962

The Board of Directors, Citizens Bank & Trust Company, Park Ridge, Illinois.

Attention Mr. Edward J. Reilly, President.

Gentlemen:

Your letter of July 17, 1962, states that Citizens Bank will comply with the Order of the Board of Governors in its letter of July 11 to discontinue the United Security Account plan, and that the bank has already stopped accepting accounts under the plan. The Board's letter specified August 27, 1962, as the date for which operations under the plan should be terminated, and you request an extension of sixty days, for reasons described in your letter.

In view of the bank's need for the advice of its counsel, and the fact that thereafter a reasonable period of time will be needed to inform United Security Account customers and to arrange for termination of accounts under that plan, the Board accedes to your request and extends to October 27, 1962, the period for discontinuance by your bank of the United Security Account plan.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 11 7/24/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE

July 24, 1962.

Mr. Thomas J. O'Connell, Board Counsel, Board of Governors of the Federal Reserve System, Washington 25, D. C.

In the Matter of Continental Bank and Trust Company

Dear Mr. O'Connell:

This refers to your letter of July 18, 1962, enclosing copies of a "Request for Permission to File Reply and Reply to Memorandum in Support of Respondent's Motion to Dismiss and Demand for Final Order".

Under section 263.8(c) of the Board's Rules of Practice for Formal Hearings, written memoranda may be filed with motions. In the present instance, Respondent's "Motion to Dismiss and Demand for Final Order" was not accompanied by a supporting memorandum at the time of its filing. Such a memorandum was subsequently filed by Respondent on July 13, 1962. The Board interprets section 263.8(b) of its Rules of Practice as entitling Board Counsel to file an answer not only to a motion but to any memorandum in support of such motion.

Accordingly, the Board has granted your request for permission to file a reply to Respondent's Memorandum in support of its Motion to Dismiss and Demand for Final Order, and the reply to such Memorandum enclosed with your letter of July 18, 1962 will be considered by the Board.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

cc: Messrs. Grier, Billings, Doyle, Powell, Chase

Item No. 12



BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

7/24/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 31, 1962.

To the Executive Officer of the Member Bank Addressed:

On May 25, 1962, the Board of Governors addressed to the Executive Officer of each member bank a letter asking that the bank furnish certain information relating to stockholders for use in a survey of banking control. There is enclosed a copy of that letter, in which it was pointed out that the information was being asked for at the request of Congressman Wright Patman, Chairman of the Select Committee on Small Business of the House of Representatives.

It does not appear that the form transmitted with the Board's letter of May 25 has been received from your bank, nor has the Board received any communication from you regarding such a report. Up to the present time, about 5,000 of the 6,100 member banks have furnished the information requested.

In case your bank did not receive the letter and forms in question or their completion was overlooked, another set is enclosed. It will be appreciated if you will complete the form and send two copies to the Board.

If your bank is not in a position to provide the information requested, it would be helpful to hear from you to that effect.

Very truly yours,

Merritt Sherman, Secretary.

Enclosures.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

Item No. 13 7/24/62

OFFICE OF THE CHAIRMAN

July 27, 1962.

The Honorable Wright Patman, Chairman, Select Committee on Small Business, House of Representatives, Washington 25, D. C.

Dear Mr. Chairman:

with reference to your letter of July 23, 1962, regarding survey of direct and indirect controls of banks, the Board has now received completed forms from approximately 5,000 of the 6,100 member banks. Of the large banks (those having \$200 million or more in assets) approximately 80 per cent have reported, and the same proportion applies for all member banks. Of the 42 bank holding companies addressed, reports have been received from all but four.

The Board is sending out a follow-up letter to the banks and holding companies that have not reported and it would seem reasonable tentatively to fix September 15 as a cutoff date on which to consider that reports have been received from virtually all of the banks or holding companies that plan to furnish the information in response to the Board's request. In the meantime, work on punching cards preparatory to making tabulations is going forward, and I understand that members of our staff are keeping in touch with your office regarding the procedures to be followed in tabulating data.

Sincerely yours,

(signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.