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Minutes for September 17, 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

W

Gov. Mills

[Handwritten signature]

Gov. Robertson

[Handwritten signature]

Gov. Balderston

GB

Gov. Shepardson

[Handwritten signature]

Gov. King

[Handwritten signature]

Gov. Mitchell

[Handwritten signature]

Minutes of the Board of Governors of the Federal Reserve System on Monday, September 17, 1962. The Board met in the Board Room at 10:45 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and Statistics
Mr. Masters, Associate Director, Division of Examinations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Report on competitive factors (Gettysburg-Littlestown, Pennsylvania). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Littlestown State Bank and Trust Company, Littlestown, Pennsylvania, into First National Bank of Gettysburg, Gettysburg, Pennsylvania.

After a discussion during which a change in the text was agreed upon, the report was approved unanimously for transmission to the Comptroller of the Currency. The conclusion of the report, as approved, read as follows:

1/ Joined meeting at point indicated in minutes.

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Consummation of the proposed merger of Littlestown State Bank and Trust Company and First National Bank of Gettysburg would not have an adverse effect on competition among banks in the Pennsylvania-Maryland area served by the applicants.

Report on competitive factors (Los Angeles-Glendora, California).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Glendora Commercial & Savings Bank, Glendora, California, into Citizens National Bank, Los Angeles, California.

There being no objection, the report was approved unanimously for transmission to the Comptroller of the Currency, its conclusion reading as follows:

While this merger in itself would not have a serious adverse effect on competition, it does represent a continuance of an already heavy concentration of banking resources in California in a small number of very large banks operating wide-flung branch systems. As of December 31, 1960, seven California banks held 86 per cent of the total deposits of all banks in the State.

Report on competitive factors (Greenleaf, Kansas). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Greenleaf State Bank, Greenleaf, Kansas, by The Citizens National Bank of Greenleaf, Greenleaf, Kansas.

During discussion an expansion and change in emphasis of the conclusion of the report was suggested and agreed upon, after which the

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report was approved unanimously for transmission to the Comptroller of the Currency. The conclusion of the report, as approved, read as follows:

The proposed purchase of assets and assumption of liabilities of Greenleaf State Bank, Greenleaf, Kansas, by The Citizens National Bank of Greenleaf, Greenleaf, Kansas, would eliminate one of the two banks in this small community, and would consequently eliminate potential competition. However, the community is very small as are the banks and there are three other banks in nearby communities that would provide alternative sources of credit. Consequently, the Board does not believe that the over-all effect on competition would be adverse to the public interest.

Chairman Martin entered during discussion of the foregoing items.

United California Bank - capital requirements. Governor Robertson noted that he would be out of town for the next few days and that applications by United California Bank, Los Angeles, California, for permission to establish certain branches might come before the Board for action during this period. He went on to say that in view of the unsatisfactory capital position of United California, he believed some steps should be taken by the Board to bring to the attention of the bank the need for improvement. Perhaps it would be desirable in connection with the pending applications for branches, particularly in view of the recent breakdown of negotiations for sale by Western Bancorporation of First Western Bank and Trust Company, for the Board to indicate to United California Bank that it would not approve any additional applications for branches for the bank or, in the alternative, that it would look askance upon any additional applications for branches, unless and until

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steps had been taken to improve the capital position of United California Bank.

Federal Reserve motion picture (Item No. 1). Before this meeting there had been distributed a draft of letter to Mr. Fulton, Chairman of the Conference of Presidents, that would state that the Board would interpose no objection to proceeding with photographic work in connection with the proposed motion picture, for which Board approval was requested in the memorandum of topics submitted to the Board by the Presidents following their meeting on September 10, 1962, but that the giving of such approval was with the understanding that use of the photographic work would be subject to any necessary changes that might be needed in the script.

Governor Mitchell stated that he had talked with Mr. Wayne, a member of the Presidents' Conference Committee on Bank and Public Relations, subsequent to the discussion of this matter at the meeting of the Board on September 13, that Mr. Wayne was planning to meet with him on September 26 to discuss the script of the proposed motion picture, but that Mr. Wayne had expressed the hope that in the meantime some photographic work might be gotten under way in order to take advantage of fall coloring.

Governor Mitchell went on to say that the draft letter that had been distributed would meet Mr. Wayne's wishes and at the same time would assure the Board an opportunity to propose changes in the script along the

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lines suggested at the meeting on September 13. It was his view that the letter could appropriately be sent at this time.

The proposed letter to Mr. Fulton was thereupon approved unanimously, with the understanding that a copy would be sent to Mr. Wayne. A copy is attached as Item No. 1.

Reward for recovery of stolen money. There had been distributed a memorandum dated September 14, 1962, from Mr. Daniels noting that at the recent meeting of Reserve Bank Presidents it was understood that President Ellis would proceed with the Boston Reserve Bank's proposal to offer a \$75,000 reward for the recovery of 95 per cent or more of the amount of the currency and/or coin lost in the recent holdup of the United States mail truck in Plymouth, Massachusetts, or 5 per cent of the amount of any recovery less than 95 per cent. (This was reported in the summary of topics considered by the Conference of Presidents of the Federal Reserve Banks at its meeting on September 10, 1962.) The memorandum commented that there would seem to be no objection to such action, since the offering of rewards was contemplated in the Reserve Banks' Loss Sharing Agreement. The matter was being brought to the Board's attention, however, because of the size and unusual nature of the possible expenditure. At least once in the past a reward had been paid by a Federal Reserve Bank. In 1946, the Atlanta Bank paid a reward of \$8,600 in connection with a loss of currency in transit to a member bank.

The memorandum concluded by stating that if the Board had any comments or suggestions regarding the proposed reward, it would be desirable

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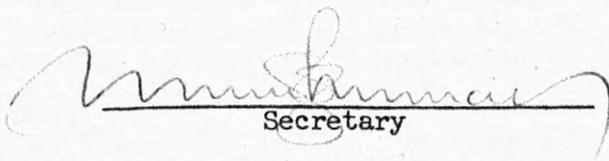
to inform Mr. Ellis of them at once, since it was understood that, following favorable action of the Insurance Committee, the proposal would be presented to the Boston Reserve Bank's Board of Directors at its meeting today.

After discussion, it was agreed that no objection should be interposed to the offering of the reward by the Federal Reserve Bank of Boston.

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

Continental Bank and Trust Company. Following the meeting, the Secretary was informed that during the executive session the Board tentatively accepted the proposal that had been tentatively submitted by Mr. Sullivan, President of The Continental Bank and Trust Company, Salt Lake City, Utah, in his letter of September 6, 1962, as a basis for settlement of the Board's capital adequacy proceeding against that bank, Governor Mills dissenting. Governor Robertson did not participate in the discussion of this matter or the action taken by the Board with respect to it.

The meeting then adjourned.


Secretary

ITEM No. 1

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 17, 1962



Mr. W. D. Fulton, Chairman,
Conference of Presidents,
c/o Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

From the summary of topics considered by the Conference of Presidents of the Federal Reserve Banks at the meeting of the Conference on September 10, 1962, the Board notes that the Conference approved the general format, shape, and tone of the revised script treatment for a Federal Reserve motion picture dated July 20, 1962, as suggested by the Committee on Bank and Public Relations, and that the matter was referred to the Board of Governors for final approval of this project. It is understood that the Conference hoped for early approval by the Board of Governors to enable the film company to use the autumn light in their photography.

The Board interposes no objection to the Conference making arrangements to proceed with the photographic work for the proposed film. However, the Board has reservations about some aspects of the script treatment, as discussed with you by telephone, and it is understood that you have arranged for a member of the Conference Committee to consult with Governor Mitchell regarding the subject. Thus, the use of photographic work that may be done would be subject to any necessary changes that may be needed in the script as a result of these discussions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.