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Minutes for October 11, 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, October 11, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank  
 Operations  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Johnson, Director, Division of Personnel  
 Administration  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Kiley, Assistant Director, Division of  
 Bank Operations  
 Mr. Leavitt, Assistant Director, Division of  
 Examinations  
 Mr. Thompson, Assistant Director, Division  
 of Examinations  
 Mr. Landry, Assistant to the Secretary  
 Miss Hart, Senior Attorney, Legal Division  
 Mr. Bakke, Senior Attorney, Legal Division  
 Mr. Guth, Review Examiner, Division of  
 Examinations

Circulated or distributed items. The following items, copies of  
 which are attached to these minutes under the respective item numbers  
 indicated, were unanimously approved:

Item No.

Letter to the Federal Deposit Insurance  
 Corporation regarding the application of The  
 Peoples Savings Bank, New Knoxville, Ohio,  
 for continuation of deposit insurance after  
 withdrawal from membership in the Federal  
 Reserve System.

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	<u>Item No.</u>
Letter to the Federal Deposit Insurance Corporation regarding the application of Osage Valley Bank, Warsaw, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2
Letter to Osage Valley Bank, Warsaw, Missouri, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	3
Letter to the Federal Reserve Bank of Atlanta approving the appointment of W. N. Self as Federal Reserve Agent's Representative at the Birmingham Branch.	4
Letter to the Chairman of the Presidents' Conference interposing no objection to the establishment, as the basis for further negotiations with the Treasury Department, of certain principles contained in a policy statement regarding the automation of fiscal agency operations by the Reserve Banks.	5
Order denying motions by banks protesting the application by First Oklahoma Bancorporation, Inc., Oklahoma City, Oklahoma, for permission to take actions that would cause it to become a bank holding company.	6

With respect to Item No. 5, Mr. Farrell noted that development of the statement of principles referred to was the result of a request from the Federal Reserve Bank of Cleveland for permission to process Federal taxes on its computer, thereby utilizing otherwise idle computer time, and to base its claim for reimbursement on rental rates for punch-card equipment in lieu of a rate based on the usage of the computer, since the Bank estimated that the latter procedure would

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materially increase the cost to the Treasury Department of this operation. The Reserve Bank's request was also motivated by the Treasury Department's view that whenever a Reserve Bank was considering transferring a fiscal agency operation to a computer, with the possibility of an increase in costs, such transfer should be cleared with the Treasury prior to institution of the change. The policy statement adopted by the Presidents' Conference on September 10, 1962, provided that: (1) the Reserve Banks would retain at all times complete control over decisions to automate operations, including the timing of transfers to automated equipment; (2) the Reserve Banks would be prepared to assume reasonable development costs in connection with transfers of fiscal agency operations to automated equipment; and (3) the Banks would be prepared to review current accounting bases for reimbursement claims or, when necessary, to negotiate claims for reimbursement where cost increases resulted from transfer of some fiscal agency function or functions to automated equipment.

Messrs. Johnson and Bakke withdrew from the meeting at this point.

Report on competitive factors (Fostoria-Tiffin, Ohio). Copies had been distributed of a draft report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The City National Bank of Tiffin, Tiffin, Ohio, into The First National Bank of Fostoria, Fostoria, Ohio.

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Following discussion, the report was approved unanimously in a form in which the conclusion read as follows:

Consummation of the proposed merger would eliminate minor competition existing between the applicants. The merger would probably increase competition in Tiffin, but have little effect on banking competition outside that city.

Application of Virginia Commonwealth Corporation. There had been distributed under dates of October 8 and October 10, 1962, respectively, memoranda from the Division of Examinations and the Legal Division regarding an application by Virginia Commonwealth Corporation, Richmond, Virginia, to become a bank holding company by acquiring shares of Bank of Virginia, Richmond; Bank of Henrico, Sandston; Bank of Salem, Salem; Bank of Occoquan, Occoquan; and Bank of Warwick, Newport News. The recommendations of the Virginia Commissioner of Banking, the Federal Reserve Bank of Richmond, and the Division of Examinations were all favorable, but the Department of Justice had rendered an adverse recommendation. In its memorandum the Legal Division stated that particular attention had been given to the arguments advanced in the statement in opposition submitted by the Department of Justice. The Division did not believe that these arguments would require disapproval of the application, as a matter of law, under the fifth statutory factor. It was of the opinion that a decision of the Board either to approve or to disapprove the application would be sustained upon judicial review as based on substantial evidence.

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The memorandum of the Division of Examinations stated the following conclusions with respect to the various statutory factors to be considered under the Bank Holding Company Act of 1956: (1) The financial condition, history, and prospects of the banks and the management of the banks were regarded as satisfactory; (2) As to the convenience, needs, and welfare of the communities and areas concerned, the Division believed that, on balance, some increased services would result from consummation of the proposal, and, in consequence, this factor lent some, but not strong, support for approval; (3) With respect to the fifth factor, the size and extent of the holding company and the effects of the proposal on competition, the memorandum noted that the holding company would control about 5 per cent of the banking offices and deposits of all banks in the State but that, other than Bank of Virginia, the remaining banks proposed for the group ranked well down the list, with the largest being 42nd in size in the State. Acquisition of the banks concerned would increase to an appreciable extent control of deposits in the affected areas of the State only in the Newport News region, where two banks in the group would have about 26 per cent of the deposits of all Newport News banks. It was believed that elimination of competition among the banks to be acquired, where competition was evident, would not be significant when consideration was given to alternative sources of banking service. It was not believed that the banks involved would derive such a competitive advantage over remaining banks in the areas specified as adversely to affect the remaining banks'

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ability to grow and prosper. It was felt that the Virginia Commonwealth Corporation system would not be of such size and extent as to be inconsistent with adequate and sound banking, the public interest, or the preservation of competition in the field of banking, and that approval of the application would not result in a precedent that would be embarrassing to the Board in acting on future cases.

At the request of the Chairman, Mr. Thompson commented on the application in some detail, his remarks being based on the memorandum of the Division of Examinations.

Governor Mills inquired as to the dates applications had been received from Virginia Commonwealth Corporation and United Virginia Bankshares, Incorporated. In reply it was stated that the two dates in question were, respectively, May 7 and July 11, 1962. Governor Mills then inquired as to the relationship, if any, between Financial General Corporation, New York, New York, a company operating under the Investment Company Act of 1940, and Virginia Commonwealth Corporation, since he recalled that Financial General at one time had a financial interest in Bank of Virginia and, as the record showed, Financial General had provided initial capital and Bank of Virginia had supplied managerial services for Bank of Henrico. Answer was given to the effect that, although Financial General had at one time an investment in Bank of Virginia, this was no longer the case. However, Financial General had the right to acquire additional banks without approval of the Board under the Bank Holding Company Act. Similarly, it would

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also be possible for Financial General to absorb Virginia Commonwealth Corporation without such approval, should the Board sanction formation of the latter as a bank holding company.

A discussion ensued as to the extent to which bank holding companies were developing in Virginia. Reference was made during the discussion to recent legislation in that State permitting state-wide bank mergers, and also to the advantages of expansion through the bank holding company device compared to the merger route. Under State law a bank could establish branches only in the city where its principal office was located and in localities within five miles of such city.

In response to a question, Mr. Solomon said that the essential difference between the present application and the Morgan New York State and Florida Bancorporation cases was one of degree. This case involved a considerably smaller total concentration of banking resources and much smaller individual banks. In the New York and Florida cases, the banks concerned were all of substantial size. In the Morgan New York State proposal, for example, every bank that would have been involved was an institution with \$100 million or more of assets; in the instant application, Bank of Virginia excepted, the banks were institutions with assets ranging from \$4 million to \$16 million. Therefore, the possibilities for domination of commercial banking were much less in the present case. Mr. Solomon went on to say, in response to a further question, that should the Board act favorably on the present application it would by implication be indicating that size was a fundamental

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consideration in bank holding company cases from the standpoint of the competitive factor, particularly when a state-wide proposal was concerned.

Expressing agreement with the views stated by Mr. Solomon, Mr. Hackley recalled that the rationale of the Board's statement in the Morgan New York State case had been based largely on the size of the banks involved. The banks that would have been taken into the holding company system were among the leading banks in the larger cities of the State, strategically located. The effect of consummation of the proposal would have been to widen the competitive gap that already existed between the larger and smaller banks in each community. It could be argued, Mr. Hackley said, that the reverse effect (a narrowing of the gap) would follow from Board approval of the application of Virginia Commonwealth Corporation; it involved, except for Bank of Virginia, small banks ranking 42nd (Bank of Warwick), 75th (Bank of Salem), 121st (Bank of Occoquan), and 204th (Bank of Henrico) in size in the State.

Governor Balderston indicated that he was more concerned about the distinctions between this case and the Florida case. In this case the banks in the holding company system would hold about 5 per cent of the deposits of all banks in the State. In the Florida case the comparable figure was only about 13 per cent. However, the Florida case involved large banks in key areas of the State.

At the conclusion of the discussion, it being indicated that the members of the Board were prepared to act on the application, the

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Chairman called upon the individual members for their views, starting with Governor Mills.

Governor Mills stated that he concurred with the staff recommendation. In his view the creation of Virginia Commonwealth Corporation would not bring into being an organization that would control an objectionably large portion of commercial banking resources in the State of Virginia. Admittedly, the holding company would assume considerable importance in the area of Norfolk and Newport News; at the outset the smaller independent banks in the area might not be exposed to undesirable competitive influences, but over a period of time that could be the case. Nevertheless, he agreed with the Division of Examinations that each case should be considered by the Board in the order in which applications were received and in light of the immediate surrounding circumstances. He did not believe it was within the province of the Board's authority to project evils that might eventuate at some later date. The proposal of United Virginia Bankshares contemplated operations largely in the same geographic area, which could definitely affect the competitive situation. However, that application was not presently before the Board for consideration. In taking a position in favor of the Virginia Commonwealth application he was also mindful, Governor Mills said, of the possibility that subsequent establishment of branches on the part of the subsidiary banks could introduce another element adverse to the competitive picture in the trade areas involved, but the Board would have control over the

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establishment of branches by Bank of Virginia, Bank of Salem, and Bank of Warwick, which were members of the Federal Reserve System. It would not, of course, have direct control over the establishment of branches by Bank of Occoquan and Bank of Henrico, as nonmembers. In sum, Governor Mills stated, the application had little attraction to him. Taking all factors involved into consideration, however, on balance he would approve.

Governor Shepardson said that he concurred with the recommendation of the Division of Examinations on the basis of the arguments advanced in its memorandum.

Governor King indicated that he also concurred. He believed that the published statement of the Board should incorporate the general philosophy outlined by Messrs. Solomon and Hackley, namely, that the competitive strength of the smaller banks involved in the application would be enhanced by consummation of the proposal.

Governor Balderston and Chairman Martin said that they also would favor approval of the application.

Accordingly, the application of Virginia Commonwealth Corporation was approved unanimously. It was understood that the Legal Division would prepare drafts of an order and statement reflecting such approval for the Board's consideration.

All members of the staff except Messrs. Sherman, Kenyon, Hackley, Solomon, O'Connell, and Leavitt then withdrew.

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Continental Bank and Trust Company (Items 7 and 8). On September 17, 1962, the Board tentatively approved an informal proposal submitted by Mr. K. J. Sullivan, President of The Continental Bank and Trust Company, Salt Lake City, Utah, which if formalized would result in the termination of the capital adequacy proceeding involving that bank. Subsequently, Board Counsel undertook to implement the Board's action. As a result, there had now been presented to the Board a letter from Mr. Sullivan enclosing a resolution of the bank's board of directors, both of which documents constituted a formal presentation of the bank's proposal for settlement of this matter. Copies of the letter and resolution had been distributed to the Board with a memorandum from Mr. O'Connell dated October 10, 1962.

The memorandum indicated that pursuant to understandings reached between Counsel for the Board and the bank, if the Board now formally accepted the plan described in the letter and resolution, a letter evidencing such approval and the Board's understanding of the plan would be sent to the bank immediately. Thereafter, the bank's letter, the resolution, and the Board's reply would be introduced into the record of the show cause hearing. This hearing, previously ordered by the Board to commence October 15, 1962, was now scheduled to commence October 29, 1962, pursuant to an order of the Hearing Examiner issued in response to a motion for continuance filed by the bank's Counsel, to which Board Counsel offered no objection. There would also be introduced into the record all official pleadings in this matter filed and acted

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upon since the date of the last hearing session (November 1958), together with edited copies of reports of examination of the bank and published statements of condition and statements of income and dividends covering all or portions of this period. There would also be introduced into the record a statement by the bank and by its Counsel evidencing that the corporate proceedings necessary to accomplish the capital increase program had been set in motion. Finally, the Hearing Examiner would introduce into the record a letter from the Board directing that immediately upon the close of the hearing record the Hearing Examiner was to certify that record to the Board for final decision without a recommended decision being made. A draft of such a letter was attached to Mr. O'Connell's memorandum.

Also attached to the memorandum was a draft of press statement that Continental Bank proposed to release at the time the hearing was closed, together with a draft of press statement proposed for release by the Board immediately upon the close of the hearing. Further, there was attached for the Board's consideration a draft of order proposed to be issued by the Board following receipt from the Hearing Examiner of the certified record of the October 29 hearing. Copies of the proposed order, the Board's letter to the bank, the Board's letter to the Hearing Examiner, and the Board's press statement had been shown to the bank's Counsel as a matter of information. Counsel had advised of the assent of Mr. Sullivan and himself to the general form of the documents.

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In the judgment of Board Counsel, the contents of Mr. Sullivan's letter and the resolution of the bank's board of directors conformed in all major respects with the plan approved informally by the Board on September 17, 1962. It was recommended that the Board formally accept the plan and that the Board approve the procedural proposals set forth in Mr. O'Connell's memorandum, as well as the draft documents relating thereto.

In a second memorandum, which also had been distributed to the Board, Mr. Hackley concurred in the view that the plan for increasing capital funds set forth in the resolution of Continental Bank's board of directors was substantially in accord with the plan tentatively accepted by the Board on September 17, 1962. He recommended approval of the proposed letter to the bank formally stating that position. In his view, the drafts of Board press statement and Board order were in satisfactory form. He believed that conclusion of the administrative proceeding on the basis contemplated would be consistent with preservation of the position taken by the Board as to its legal authority in this matter and that the Board's position would not be prejudiced if the bank's board of directors should fail to accomplish the capital increase program and it became necessary to reopen the administrative proceeding to determine whether the bank's membership in the System should be forfeited.

In commenting on his memorandum, Mr. O'Connell noted that there had been received this morning by Chairman Martin the originals of

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Mr. Sullivan's letter and the resolution adopted by Continental's board of directors. In a telephone conversation yesterday afternoon with Counsel for Continental, Mr. O'Connell had checked carbon copies of the two documents with the copies attached to his memorandum to the Board, which were taken from drafts previously received from Continental. The only differences, which he described, were of a minor nature and in his judgment had no effect on the issues at hand.

Mr. O'Connell continued by reviewing the proposed procedures outlined in his memorandum, making it clear that he had specified to Counsel for Continental that in his opinion the Board would not undertake to approve or disapprove the press release proposed to be issued by the bank. With the possible exception of one word, which he had discussed with Counsel for Continental, Mr. O'Connell was of the opinion that the statement proposed to be released by the bank was not objectionable. Mr. O'Connell also stated that Mr. Powell, Special Counsel to the Board, had suggested that the Board's press release be accompanied by the bank's letter, the resolution of the bank's directors, and the Board's reply. Mr. O'Connell indicated that he had expressed his disagreement to Mr. Powell. In his opinion, the proposed press statement of the Board was a sufficient statement of the basis for termination of the capital adequacy proceeding. It would be followed by issuance of the Board's order, the content of which would, in his judgment, set forth the Board's position adequately.

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After a discussion during which Mr. O'Connell responded to several questions with regard to procedural aspects of the matter, Mr. Hackley spoke in confirmation of the opinions expressed in his October 10 memorandum. In his comments, he pointed out that the bank's press release would clearly indicate to the reader that the bank itself took the initiative in undertaking a settlement of the capital adequacy proceeding. The figures spoke for themselves so far as indicating that the bank, under the proposed plan, would have sufficient capital. There was no statement to the effect that its capital would be 100 per cent adequate, but impliedly the capital position would be sufficiently adequate to warrant the Board in terminating the proceeding. It seemed to him the reason for the Board's action would be so apparent as to indicate that any other action on the part of the Board might be subject to charges of harassment or arbitrary conduct.

Governor Mills recalled that he had dissented from the position taken by the Board on September 17, 1962. He asked that the record show him as abstaining from voting on the implementing actions that were before the Board today. He wished to comment for the record, however, that in his belief the Board's acceptance of the bank's proposal and its acceding to the statement prepared by Continental would in good measure compromise the Board's good name and standing. There were various elements in the bank's statement that he considered objectionable. To begin with, he felt that there had been a development of figures that did not reconcile with earlier statements of the Board. It was indicated

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that through the plan an additional \$1,111,000 would be added to the bank's capital accounts, bringing the total injection of capital to a figure that was within range of the \$1.5 million that constituted the Board's original demand. He found no place where these figures were either reconciled with the record or were substantiated by the facts of the case. Further, he thought the proposed statement contained many claims that were not borne out by the history of the case. For example, the release would indicate that since 1956 the bank had added to its capital accounts approximately \$2 million from retained net earnings. The correct amount, as Governor Mills understood it, was \$1.9 million. The release also would state that the bank planned "to continue the sound management policies which have made it possible for us to add nearly \$2½ million to our capital accounts from net retained earnings between 1956 and the end of 1962." Governor Mills noted that over a period of five or six years the Board had challenged the character of the bank's management and the quality of the bank's assets. Therefore, he felt if the Board were to assent to a statement such as he had quoted, that would not be consistent with the Board's earlier views. Further, the release would state that Continental Bank felt that its considerable capital improvement over the past six years had made the economic issues of the case moot and the legal issues largely academic. Governor Mills stated that he would consider it shocking for the Board to concur in the bank's making a statement of that kind. It would constitute an admission by the Board that its case had been unsound

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from the beginning and that the Board did not feel it had authority under the statute to undertake the proceeding. Also, the release would conclude with a statement that the bank was confident that, with its additional capital and the termination of the Federal Reserve proceedings, it could continue to offer sound and progressive banking services to its many customers and friends. Governor Mills expressed the opinion that such a statement could be challenged because it left the impression that Continental had continuously offered sound banking services. As a matter of fact, Board Counsel had brought out contrary facts repeatedly in the record of the proceeding. He was not sure what rating the Division of Examinations presently accorded to the bank, but he judged the bank was still ranked among the problem institutions.

Mr. Solomon said he thought a great deal depended on the interpretation one placed on certain words. As to the figure of approximately \$2 million contained in the bank's release, that presented a rounding up of an actual figure of over \$1.9 million. As to the increase in capital funds of roughly \$1.5 million since the date of the Board's 1960 order--assuming the accomplishment of the capital increase program--he thought that was materially correct. The bank had approximately \$5 million of capital at the time of the Board's order, and it would have approximately \$6.5 million when the capital increase program was completed.

Governor Mills inquired whether Mr. Powell had approved the figures in question, to which Mr. O'Connell replied that Mr. Powell had

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participated in an arithmetic computation in the presence of Counsel for Continental and concurred in the correctness of the statement as far as the figures were concerned.

Mr. Hackley noted that it was not contemplated that there would be any indication that the Board approved or concurred in the bank's press statement. Further, the statement by the bank that the considerable capital improvement had made the economic issues moot and the legal issues largely academic seemed to him to represent only a reaffirmation of the bank's own legal position. It did not indicate that the Board had backed down from its legal position.

Governor King commented that in his opinion the business and financial community would welcome the manner in which the Board was resolving this matter. If the Board took the attitude that capital must be completely adequate in this case, in his judgment the Board would have a moral obligation to take action against every other bank that did not meet the same requirement. As he saw it, the status of the Board would be enhanced as a result of the action taken in terminating the proceeding.

The Chairman then inquired whether members of the Board wished to raise additional points concerning this matter, and no comments to such effect were heard. Governor Mills affirmed his earlier statement that he wished to be recorded as abstaining from participation in the actions taken by the Board today, with the understanding that his position would be recorded in the minutes.

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Accordingly, with Governor Mills abstaining, approval was given to the proposed letter to Mr. Sullivan, the proposed letter to the Hearing Examiner, the proposed Board press release, and the proposed Board order, with the understanding that the press release would be issued following the show cause hearing to be held on October 29, 1962, and that the order would be issued after the Hearing Examiner had certified the record of the show cause hearing. Copies of the letter to Mr. Sullivan and the letter to the Hearing Examiner are attached as Items 7 and 8, respectively.

Secretary's Note: The Board's press release was issued on October 29, 1962. The Board's order was issued on October 30, 1962. Copies of the documents are attached to the minutes for the respective dates.

All of the members of the staff except Mr. Sherman then withdrew from the meeting.

Establishment of Division of Data Processing. Governor Shepardson referred to earlier informal discussions of the Board of the possible desirability of establishing a Division of Data Processing to be under the direction of Mr. Maurice H. Schwartz, who has been serving as Assistant to the Director of the Division of Research and Statistics, with an assignment for matters in the area of data processing. He referred to a memorandum that had been prepared proposing the establishment of such a division, effective

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January 1, 1963, with Mr. Schwartz to be appointed as director and Mr. Lee W. Langham, presently Chief of the Call Report Section in the Division of Bank Operations, as assistant director. The matter was being brought to the Board for consideration at this time, Governor Shepardson said, in order that formal action on the proposal might be taken and announced and plans for establishing a division completed between now and the end of the year. It would be desirable to have an announcement made promptly, Governor Shepardson said, inasmuch as the development of detailed plans for the new division would require discussion with different persons and a current announcement would serve to answer inquiries as to why certain arrangements were being considered.

Following a discussion of the proposal, unanimous approval was given to the establishment, effective January 1, 1963, of a Division of Data Processing and to the appointment of Maurice H. Schwartz as Director and Lee W. Langham as Assistant Director, with the understanding that an announcement of the establishment of the Division and of these appointments would be made promptly and that appropriate budget and salary proposals would be submitted to the Board for consideration at a later date.

General adjustment to the Board's regular salary schedule.

Governor Shepardson referred to the Postal Service and Federal Employees Salary Act of 1962 that had been signed by the President today. He assumed that there would be no particular problem with respect to the

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Board's applying equivalent salary ranges and salary adjustments to the members of the staff in the classified service. The only problem that he foresaw was in adjustments for members of the officer staff who were not under the classified service. He noted that earlier this year the President had proposed certain pay adjustments for executives in the Government but the final bill enacted had not contained such adjustments except to permit a ceiling of \$20,000 for persons in Grade 18 in the regular Government classified service and a number of adjustments for those in super grades 16 and 17. Governor Shepardson stated that he had given considerable thought to whether it would be desirable for the Board to attempt to fit its officer staff into the classified service (including the super grades) and that he had come to the conclusion that, for reasons he stated, it would be preferable for the Board to continue the procedure that it had followed in the past whereby they were not in the classified service. In making salary adjustments for the officer staff, the Board was, of course, cognizant of the rates applicable in the classified service, including the super grades. It would be his thought that at this stage the Board would make salary adjustments to members of the officer staff within the \$20,000 ceiling that would apply to Government generally under the new pay act, with the understanding that when and if that ceiling was revised, as was anticipated would be the case during 1963, the Board would expect to move in accordance with whatever legislation was enacted.

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During the ensuing discussion, Chairman Martin expressed the view that it would be desirable to continue the Board's officer staff outside the classified service, and the other members of the Board concurred in this view. Governor Shepardson then stated that he would endeavor to bring to the Board promptly specific salary proposals that would seem desirable for members of the officer staff at this time within the \$20,000 ceiling that would apply under the law just enacted.

Reserve Bank officer salaries. Governor Balderston stated that he had had a telephone call from President Hayes of the Federal Reserve Bank of New York referring to the Board's letters of October 5, one addressed to the Presidents of the Reserve Banks and one to the personal and confidential attention of the Chairman at each Federal Reserve Bank, regarding revised procedures for administering officer salaries, effective January 1, 1963. Mr. Hayes had expressed great concern regarding the problem that would face the New York Bank in making what he believed to be appropriate salary adjustments within the guidelines set forth in the Board's letter addressed to the President of the Bank. He also expressed concern that the salary range for the Group A officers at New York had not been increased and that the maximum for the First Vice President of that Bank also remained at its present level. Governor Balderston stated that he was simply reporting Mr. Hayes' call at this time for the information of the Board and that the matter

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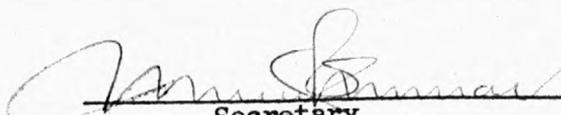
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would, of course, be considered by the Board's Committee on Organization, Compensation, and Building Plans in the light of any comments Mr. Hayes might make when he met with that Committee.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendation contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective October 14, 1962:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Robert I. Stewart, Messenger		\$4,025	\$4,130
<u>Research and Statistics</u>			
Nancy Keen, Secretary		4,840	5,005
Phyllis H. Lockhart, Draftsman-Illustrator		4,510	4,675
Joan R. Winter, Statistical Assistant		5,005	5,170
<u>Bank Operations</u>			
Seymour Golodner, Technical Assistant		7,820	8,080
<u>Administrative Services</u>			
Charles M. Wrenn, Operator, Tabulating Equipment		4,040	4,145
Ray M. Reeder, Operator, Tabulating Equipment		3,865	3,970

  
Secretary

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

Item No. 1  
10/11/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 11, 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 September 27, 1962, concerning the desire of The Peoples Savings Bank, New Knoxville, Ohio, to continue as an insured bank following its withdrawal from membership in the Federal Reserve System.

No corrective programs have been urged upon the bank or agreed to by it which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance. However, for several years this bank has been encouraged to sell common stock for cash to provide needed capital funds.

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. 2  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 11, 1962

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

Dear Mr. Cocke:

Reference is made to your letter of  
September 27, 1962, concerning the application of  
Osage Valley Bank, Warsaw, Missouri, for continuance  
of deposit insurance after withdrawal from member-  
ship in the Federal Reserve System.

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

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  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 11, 1962

Board of Directors,  
Osage Valley Bank,  
Warsaw, Missouri.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors a letter dated September 22, 1962, and signed by Vice President and Cashier O. C. Crudginton, Jr., and Vice President Walter Riffle, together with the accompanying resolution dated September 5, 1962, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of St. Louis.

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  
10/11/62



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 11, 1962

Mr. Jack Tarver,  
Federal Reserve Agent,  
Federal Reserve Bank of Atlanta,  
Atlanta 3, Georgia.

Dear Mr. Tarver:

In accordance with the request in Mr. Ray's letter of October 1, 1962, the Board of Governors approves the appointment of Mr. W. N. Self as a Federal Reserve Agent's Representative at the Birmingham Branch to succeed Mr. George W. Mason, who retired.

This approval is given with the understanding that Mr. Self will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Self may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Birmingham Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Self is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Self execute the usual Oath of Office, which should be forwarded to the Board of Governors together with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 5  
10/11/62



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 11, 1962.

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

Dear Mr. Fulton:

The Board has noted the action of the Presidents' Conference on September 10, 1962 in adopting a policy statement regarding the automation of fiscal agency operations by the Reserve Banks and interposes no objection to the establishment of these principles as the basis for further negotiations with the Treasury Department.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 6  
10/11/62

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
FIRST OKLAHOMA BANCORPORATION, INC.,  
Oklahoma City, Oklahoma,  
pursuant to section 3(a)(1) of the  
Bank Holding Company Act of 1956  
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DOCKET NO. BHC-64

ORDER

Under date of October 9, 1962, counsel for protesting banks, opposing the application in the above-captioned matter, filed a Motion to Clarify Order, to Grant Motion to Strike, and to Take Action in Connection with Factor 3 of the Act.

The several motions have been considered by the Board.

Accordingly,

I.

IT IS ORDERED that the motion to clarify the Board's Order of October 5, 1962, be, and hereby is, granted. The Board's action set forth in Part III of its Order dated October 5, 1962, overruled only Paragraph 1 of the protesting banks' exceptions to the hearing examiner's report and recommended decision and left undetermined the remainder of protesting banks' exceptions.

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## II.

In respect to protesting banks' motion to strike Applicant's response to protesting banks' exceptions, while the statement referred to in Applicant's response does not meet the procedural deficiency noted in the Board's Order of October 5, it may be taken as sufficient evidence of date of receipt so as to satisfy the Board in this respect. However, for the additional reasons originally given by the Board for its denial of this motion, IT IS ORDERED that the renewed motion to strike Applicant's response be, and hereby is, denied.

## III.

Protesting banks further move that the Board postpone oral argument and order the record of the hearing in this matter reopened to give Mr. C. A. Vose, one of Applicant's organizers, either an opportunity to testify or otherwise to show cause why the Board should not find a failure of proof of Factor 3 of the Act. In the alternative, protesting banks move that the proceeding and the record be remanded to the hearing examiner with instructions to make findings and conclusions regarding Factor 3 of the Act upon the present record.

In the present posture of this proceeding the Board finds no justification either to reopen the hearing record for the purposes urged or to remand the matter to the hearing examiner for additional findings and conclusions. Subsequent to the scheduled oral argument in this case, at such time as the entire record is before the Board for determination of the application, if the Board should find cause for the remand of any or

-3-

all of the matter to the hearing examiner, such action will then be taken. Upon review of the entire record, the Board will be in a position to determine the adequacy of evidence bearing on the character of the management of the Applicant and the banks concerned and the significance, if any, of the failure of Applicant to present in the record oral testimony of one of its organizers. In this regard, consideration will be given to the weight to be attributed to the signed statement by Mr. Vose received in evidence by the hearing examiner, and to the fact that protesting banks were unable to cross-examine Mr. Vose on that statement. Accordingly, IT IS ORDERED that the protesting banks' motion for postponement of oral argument and to have the hearing record reopened, or, in the alternative, to have the proceeding and the record remanded to the hearing examiner be, and hereby is, denied.

Dated at Washington, D. C., this 11th day of October, 1962.

By order of the Board of Governors.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

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

Item No. 7  
10/11/62



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 11, 1962.

AIR MAIL

Mr. K. J. Sullivan, President,  
The Continental Bank and Trust Company,  
Salt Lake City, Utah.

Dear Mr. Sullivan:

This refers to your letter of October 9, 1962, enclosing a resolution of the Board of Directors of your Bank setting forth a plan under which certain actions therein specified will be taken for the purpose of increasing your Bank's capital funds.

The Board has considered the fact that during the period between the Board's July 18, 1960 Order and the June 30, 1962 Report of Condition the Bank had increased its capital accounts by \$398,632 from retained earnings, which together with the additional \$1,111,000 which is the subject of the above-mentioned resolution of the Bank's Board of Directors, will result in a total capital account increase since July 18, 1960 of \$1,499,181. The Board has further considered such changes as have occurred since July 18, 1960 in the amount, character, and condition of the Bank's assets and in its deposit liabilities and other corporate responsibilities. On the basis of these considerations the Board has concluded that accomplishment of the actions described in your plan would warrant the Board in ordering the termination of the capital adequacy proceeding involving your institution.

Accordingly, if a copy of your letter of October 9, 1962, above referred to, and of this letter of the Board are made a part of the record of the Show Cause Hearing scheduled to commence on October 29, 1962, the Hearing Examiner will be directed by the Board to close the record of that hearing and to certify that record to the Board. Promptly upon the receipt of such certification of the record, the Board will issue an appropriate Order terminating the proceeding.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 8  
10/11/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 22, 1962.

AIR MAIL

CONFIDENTIAL (FR)

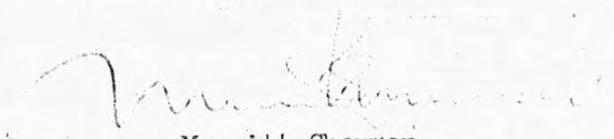
Mr. David F. Doyle, Hearing Examiner,  
National Labor Relations Board,  
Branch Office,  
Room 206, Appraisers' Building,  
630 Sansome Street,  
San Francisco 11, California.

In the Matter of The Continental Bank  
and Trust Company, Salt Lake City, Utah

Dear Mr. Doyle:

In connection with the show cause hearing scheduled for October 29, 1962, in the above matter, the Board of Governors has determined that as the duly designated hearing examiner in the subject proceeding, you should not make an initial or recommended decision at the conclusion of the show cause hearing. Accordingly, pursuant to section 8(a) of the Administrative Procedure Act (5 USC 1008(a)), you are directed that immediately upon issuance of your order closing the hearing record, you will certify the entire record of the show cause hearing to the Board for its final decision.

Very truly yours,

  
Merritt Sherman,  
Secretary.