

Minutes for October 26, 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

The image shows handwritten initials and signatures for each board member listed on the left. The initials are written on a horizontal line. The initials for Chm. Martin are 'AM'. The initials for Gov. Mills are 'RM'. The initials for Gov. Robertson are 'R'. The initials for Gov. Balderston are 'CCB'. The initials for Gov. Shepardson are 'SS'. The initials for Gov. King are 'K'. The initials for Gov. Mitchell are 'M'.

Minutes of the Board of Governors of the Federal Reserve System on Friday, October 26, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Harris, Coordinator of Defense Planning
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Brill, Adviser, Division of Research and Statistics
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Yager, Chief, Government Finance Section, Division of Research and Statistics
Mr. Axilrod, Senior Economist, Division of Research and Statistics
Mr. Goldstein, Economist, Division of International Finance

Money market review. Mr. Yager discussed developments in the Government securities market, following which Mr. Goldstein reported on

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recent developments in foreign exchange markets. Mr. Axilrod then commented on bank credit and related matters, in which connection there was distributed a table summarizing monetary developments during the four-week period ended October 24, 1962. It was understood that copies of the analysis presented by Mr. Axilrod would be made available to the members of the Board for their further review.

Defense planning. In light of the Cuban situation, Mr. Harris presented a progress report on developments in connection with Federal Reserve defense planning.

All members of the staff except Messrs. Sherman, Kenyon, Fauver, and Mattras then withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Leavitt, Assistant Director,
Division of Examinations
Mr. Thompson, Assistant Director,
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, and Dallas on October 25, 1962, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated item. The following item, a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

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Letter to Federation Bank and Trust Company, New York, New York, approving the establishment of a branch on Strang Avenue, Borough of the Bronx.

Nichols Investment Corporation (Item No. 2). There had been distributed a memorandum from the Division of Examinations dated October 25, 1962, submitting a draft of proposed letter to Nichols Investment Corporation, Terre Haute, Indiana, granting a determination that the corporation was not a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act. The memorandum pointed out that two brothers, George O. and John G. Nichols, owned 90 per cent of the stock of the Nichols Corporation, which company owned 10 small loan companies along with 52 per cent of the stock of the Farmers and Merchants National Bank of Monticello, Monticello, Indiana. It was brought out, also, that the same two brothers owned 100 per cent of the stock of Kimball Agency, Inc., Kimball, Nebraska, an insurance agency and insurance brokerage business which owned over 50 per cent of the stock of The American National Bank of Kimball, Kimball, Nebraska. Kimball Agency, Inc., had received on November 22, 1961, a determination that it was not a holding company affiliate except for the purposes of section 23A.

In discussion, Governor Robertson said that although this case appeared to fall within the Board's policy applicable to so-called one-bank cases, this was a situation where he doubted seriously

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that the rule was appropriate. He pointed out that the two brothers in question controlled two banks through different companies and that through the Nichols Corporation they combined small loan activities with banking operations.

In reply to a question, Mr. Thompson affirmed that it was possible for one individual or a group of individuals to own a number of companies each of which owned one bank, and for each such company to obtain a section 301 determination. Such determinations, he brought out, are made for the companies concerned and do not go to chain banking.

The proposed letter to Nichols Investment Corporation was then approved, Governor Robertson dissenting. A copy of the letter is attached as Item No. 2.

Report on competitive factors (Westminster-Manchester, Maryland). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Manchester Bank, Manchester, Maryland; The Carroll Trust Company, Manchester, Maryland; and Carroll County National Bank, Westminster, Maryland.

There being no objection, the report was approved unanimously for transmittal to the Corporation. The conclusion therein read as follows:

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The proposed merger would add substantially to the resources of the largest bank in the area and would eliminate competition between the two banks involved. It would also expose Hampstead Bank of Carroll County to competition from a much larger bank.

(The report brought out that The Carroll Trust Company had been organized recently as a means, necessary under State law, of securing trust powers for the State bank that would result from the proposed merger. It had no significance from a competitive point of view.)

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Atlanta (attached Item No. 3) approving the designation of four employees as special assistant examiners.

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 4) approving the appointment of James H. Martin as assistant examiner.

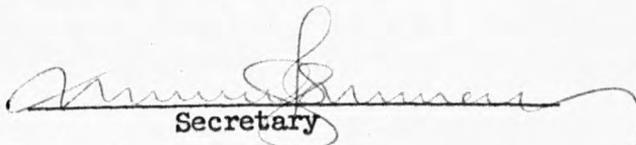
Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Appointment

Mary Janice Krummack as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$6,675, effective the date of entrance upon duty.

Acceptance of resignation

Coleman Bado, Chauffeur, Division of Administrative Services, effective at the close of business December 31, 1962.


Secretary

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

Item No. 1
10/26/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 26, 1962.

Board of Directors,
Federation Bank and Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch on the south side of Strang Avenue, 100 feet west of the intersection of Strang Avenue and Baychester Avenue, Borough of the Bronx, New York, New York, provided the branch is established within one year from the date of this letter.

The capital of this bank has been somewhat below a desirable level for some time, and the Board notes that approval of the New York State banking authorities was conditioned upon the bank's providing an acceptable relationship of capital funds to modified risk assets within a reasonable time.

Very truly yours,
(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
10/26/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 26, 1962.

Mr. George O. Nichols, President,
Nichols Investment Corporation,
728 Wabash Avenue,
Terre Haute, Indiana.

Dear Mr. Nichols:

This refers to your request, submitted through the Federal Reserve Bank of Chicago, for determination by the Board of Governors of the Federal Reserve System as to the status of Nichols Investment Corporation as a holding company affiliate.

The Board understands that Nichols Investment Corporation is engaged in the business of furnishing management for, and arranging financing for, its wholly-owned subsidiary corporations which operate as licensed small loan companies; that the Corporation owns, for investment purposes, 52 per cent of the outstanding shares of stock of Farmers and Merchants National Bank of Monticello, Monticello, Indiana; and that the Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than Farmers and Merchants National Bank of Monticello.

In view of these facts, the Board has determined that Nichols Investment Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, the Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that Nichols Investment Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

Mr. George O. Nichols

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Particularly, should future acquisitions by or activities of the Corporation or its subsidiaries result in its attaining a position whereby the Board may deem desirable a determination that the Corporation is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
10/26/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 29, 1962

Mr. Geo. W. Sheffer, Jr.,
Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of October 19, 1962, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Atlanta for the purpose of participating in examinations of State member banks:

George W. Allcorn
James D. Richard

Frank D. Young
Mack K. Gross

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

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
10/26/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 29, 1962



CONFIDENTIAL (FR)

Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Wyrick:

In accordance with the request contained in your letter of October 17, 1962, the Board approves the appointment of James H. Martin as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

It is noted that Mr. Martin will sell the twenty shares of stock of Mercantile Trust Company, St. Louis, Missouri, a State member bank, owned jointly by Mr. Martin and his wife, and that his wife, currently employed as a teller in that bank, will sever her connection with that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.