

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

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

Mr. Sherman, Secretary
Miss Carmichael, 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. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Daniels, Assistant Director, Division
of Bank Operations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Thompson, Assistant Director, Division
of Examinations
Mr. Stephenson, Special Assistant, Division
of Examinations
Mr. Sprecher, Assistant Director, Division
of Personnel Administration
Miss Hart, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal
Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis,
Minneapolis, Kansas City, and Dallas on November 8, 1962, and by the
Federal Reserve Banks of Boston and Atlanta on November 9, 1962, of the
rates on discounts and advances in their existing schedules was approved

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unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

| | <u>Item No.</u> |
|--|-----------------|
| Letter to The Trust Company of New Jersey, Jersey City, New Jersey, approving an investment in bank premises. | 1 |
| Letter to Security Trust Company of Rochester, Rochester, New York, approving an extension of time to establish a branch at 293 East Main Street. | 2 |
| Letter to the Federal Reserve Bank of Cleveland concerning the installation of a separate air conditioning system on the third floor of the Cincinnati Branch building. | 3 |
| Letter to the Federal Reserve Bank of San Francisco approving the appointment of Adolph R. Szevery as Federal Reserve Agent's Representative at the Los Angeles Branch. | 4 |
| Telegram to all Federal Reserve Banks with respect to letter S-1846 of November 9, 1962, relating to extensions of time for the establishment of branches. | 5 |
| Letter to Community Holding Company, Knoxville, Iowa, granting a determination exempting it from holding company affiliate requirements except for the purposes of section 23A of the Federal Reserve Act. | 6 |

Messrs. Daniels and Sprecher then withdrew from the meeting.

Report on competitive factors (Freehold-Allentown, New Jersey).

There had been distributed a draft of report to the Federal Deposit

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Insurance Corporation regarding the competitive factors involved in the proposed merger of The Farmers National Bank of Allentown, Allentown, New Jersey, into The Central Jersey Bank and Trust Company, Freehold, New Jersey. The conclusion of the report read as follows:

The banks proposing to merge have different primary service areas and little competition is apparent between the two. There is no indication that other banks would be adversely affected by the merger.

There being no objection, the report was approved unanimously for transmittal to the Corporation.

Report on competitive factors (Waterloo-Ovid, New York). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of Ovid, Ovid, New York, into First National Bank of Waterloo, Waterloo, New York.

Governor Robertson suggested that the conclusion of the report submitted by the Federal Reserve Bank of New York be substituted for that in the report prepared in the Board's Division of Examinations. During the discussion that followed, it was agreed to use the Reserve Bank's conclusion, omitting the final sentence which stated that the proposed merger would not appear to be in the public interest.

The report was then approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

Ovid National is an ably managed bank that has demonstrated moderate growth with above average earnings and appears to be satisfactorily serving the banking needs of the residents of this farming area. Its closest

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competitor is the Interlaken branch of the applicant, some 5 miles away. The proposed merger would eliminate the competition existing between these two offices and give to Waterloo National a dominant position in the southern section of Seneca County, as well as four of the six offices serving the county. Residents of the Ovid-Interlaken area, who apparently are opposed to the merger would have to seek alternative banking facilities in the northern part of the county some 21 miles distant or 12 miles south in adjacent Tioga County.

Report on competitive factors (Columbus-Canal Winchester, Ohio).

A draft of report to the Comptroller of the Currency regarding the competitive factors involved in the proposed merger of The Peoples Bank of Canal Winchester, Canal Winchester, Ohio, into The Huntington National Bank of Columbus, Columbus, Ohio, had been distributed.

Following suggestions by Governor Mills and Governor Mitchell, it was agreed to change the conclusion of the report to include reference to the existing competition that would be eliminated in Canal Winchester by the proposed merger.

The report was then approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

A merger of The Peoples Bank of Canal Winchester and The Huntington National Bank of Columbus would eliminate competition existing between these two banks in Canal Winchester and expose the remaining independent bank in Canal Winchester to direct competition from a branch of a much larger institution instead of a bank in the same size range.

Report on competitive factors (Las Cruces-Anthony, New Mexico).

There had been distributed a draft of report to the Comptroller of the Currency with respect to the competitive factors involved in the proposed

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consolidation of First National Bank of Dona Ana County, Las Cruces, New Mexico, and The First National Bank of Anthony, Anthony, New Mexico.

The conclusion of the report read as follows:

The proposed consolidation which would unite two affiliated banks would not have an adverse effect on competition.

There being no objection, the report was approved unanimously for transmittal to the Comptroller.

Mr. Hooff then withdrew from the meeting and Messrs. Holland, Adviser, and Smith, Senior Economist, Division of Research and Statistics, and Veenstra, Technical Assistant, Division of Bank Operations, entered the room.

Chain banking survey. Mr. Farrell reported on the status of the tabulations being made on the reports submitted by member banks in the survey of chain banking undertaken by the Board at the request of Chairman Patman of the House Select Committee on Small Business. As a result of overtime work, Mr. Farrell stated that most of the reports had been coded and tabulated. Advice from Chairman Patman's office indicated that up to the present time reports subpoenaed by the Committee from eight banks had not yet been received. There was some question as to how much longer the Committee would wait for this material before closing the survey. The staff of the Committee was aware of the fact that any delay in closing the survey would result in a corresponding delay on the part of the Board's staff in furnishing the final survey tabulations.

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Mr. Farrell said that after the survey was terminated, about a week's time would be required for making the final tabulations. If there should be urgent need for faster service, the task could probably be accomplished within a three-day period by overtime work.

Governor Robertson asked if the information furnished Chairman Patman would then be turned over to the Board's staff for analysis. He emphasized the need for this in order to determine whether it was worthwhile to pursue further any of the leads resulting from the tabulations prepared for the Select Committee.

Mr. Farrell responded that it was his view that the information to be supplied the Committee would provide very little follow-up material. Mr. Holland added that, as Mr. Noyes had pointed out at an earlier meeting, it would not be possible to make any conclusive findings from the computer tabulations. The suggestion had been made, however, that the tabulations be analyzed by the Division of Examinations and by the Banking Markets Unit of the Division of Research and Statistics.

During the course of the general discussion that followed, Chairman Martin said he thought it was important to try to analyze the survey results in order to determine what sort of answer the Board might give as a result of any charges that might be made by Chairman Patman. If the charges were unwarranted, the Board should be in a position to say so quickly.

Governor Mills commented that the information compiled for Chairman Patman would be equally available to the Board to draw conclusions

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for its own benefit. However, if that information were extended on the basis of leads, and if the System's examining force were to inspect individual loans of some of the banks in order to determine control, he wondered if that might be considered going beyond proper bounds in the examining area.

Mr. Solomon responded that he would have some concern as to the propriety of inspecting individual loan records for this purpose. However, he thought the Board should have knowledge of trends in the banking area, and he did not believe that efforts in that direction would violate any examining concepts.

Governor Robertson remarked that the Board should have the best possible answers in its own defense to any questions that might be raised.

Governor Mitchell expressed the view that the Board should reach an informed judgment as to the present stage of concentration of control in banks. This, he thought, could be done by studying the data prepared for Chairman Patman. He considered that the Federal Reserve was the principal agency concerned with banking in the United States, and as such it should know what was going on. If there was an alarming trend toward concentration of control, the Board should be aware of this and its knowledge should be based on facts.

Governor Balderston mentioned that the initial tabulations for the survey would cover the 200 largest banks in the country. He was sure that officers at the Reserve Banks were familiar with these banks and, accordingly, it might be prudent to ask for their help in securing

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promptly any needed information. In this way the Board might be better armed to answer questions that might arise.

In response to a question from Mr. Solomon as to the type of report the Select Committee might be expected to make regarding the survey, Mr. Cardon outlined the nature of a report recently issued by that Committee on the subject of business mergers and expressed the view that the report on banks would probably consist chiefly of statistical data. It was of course expected that the report would be accompanied by a statement of Chairman Patman.

Chairman Martin commented that the Select Committee was in a sense rendering a service to the Board, which should be familiar with trends in the banking area. Accordingly, it was important to proceed with an analysis of the information resulting from the survey.

On the basis of the discussion, it was understood that the staff would develop plans for analyzing the survey findings.

Mr. Noyes, Director, Division of Research and Statistics, entered the room during the foregoing discussion, and at its conclusion he withdrew.

Application of United Virginia Bankshares. At the Board meeting on November 6, 1962, it was agreed that there would be further consideration when all members of the Board were present of an application by United Virginia Bankshares, Incorporated, Richmond, Virginia, to become a bank holding company through the acquisition of more than 50 per cent of the voting shares of each of the following

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banks, all located in Virginia: Citizens Marine Jefferson Bank, Newport News; First and Citizens National Bank of Alexandria, Alexandria; First National Trust and Savings Bank of Lynchburg, Lynchburg; Merchants and Farmers Bank of Franklin, Franklin; State-Planters Bank of Commerce and Trusts, Richmond; and The Vienna Trust Company, Vienna.

Mr. Solomon reported that on November 13 a statement on the proposal was received from the Department of Justice, which had taken the position that approval of the application would have substantial adverse effects on competition and would contribute to the tendency toward monopoly in commercial banking in Virginia. The Department had, at an earlier date, commented unfavorably on the application of Virginia Commonwealth Corporation to become a bank holding company, and the Board had approved that application. However, the statement with respect to Virginia Bankshares was somewhat more vigorous than that in the Virginia Commonwealth case and the Department had for the first time in a bank holding company case referred to section 7 of the Clayton Act, indicating that market dominance by the merger or acquisition device was not consonant with public policy and the philosophy behind the antitrust laws, particularly section 7 of the Clayton Act.

Mr. Solomon went on to say that the Justice Department's report had indicated that it did not appear that the banks to be acquired by the holding company were presently competitive with each other. The Department's objection was based on the premise that the gathering together of the six banks in one holding company, with the resulting

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injection of a holding company organization in each of the areas affected, would have an adverse effect, particularly on the smaller banks in these areas. The Department's statement reflected special concern as to the effect of the proposed acquisition of First and Citizens National Bank of Alexandria. Mr. Solomon noted that the Division of Examinations had considered the situation in each of the areas affected by the proposed acquisitions, and in connection with the Alexandria bank had concluded that it was not realistic to isolate Alexandria. Rather, it concluded that all of the northern Virginia area should be considered; it should also be kept in mind that larger banks in the Washington, D. C., area would provide competition for the Alexandria banks. He added that there was nothing in the Justice Department's statement that altered the recommendation of the Division that the application be approved.

Mr. Solomon stated further that, while both the applicant and the Federal Reserve Bank of Richmond had emphasized the positive advantages that would result from the proposal, the Division of Examinations did not find it possible to go along with all of these claims. At the same time, it was not felt that the Department of Justice had made a strong case for disapproving the application. The Division of Examinations believed that the relatively small units involved in the proposal would be in a better position to gain advantages by pooling their efforts. Comparing the application of Virginia Bankshares with those of Morgan New York State Corporation

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and First Bancorporation of Florida, Inc. (denied by the Board on May 4 and July 30, 1962, respectively), Mr. Solomon stated that in the instant case the subsidiary banks were as a group much smaller and the degree of concentration was less.

Chairman Martin commented that a procedural question had arisen since the Justice Department's report had been received after the Board's initial consideration of the application on November 6. He asked whether there was any time limit for submitting such reports.

Mr. Solomon responded that no time limit was specified, and that the Justice Department was not required by statute to make reports on bank holding company applications. The Board merely notified the Department of the receipt of such applications and indicated that comments might be submitted if the Department so desired. In the event that the Department expected to make a report on a particular application, members of the Board's staff were usually notified informally, and in this case there had been some indication that a report would be submitted.

Mr. Hackley mentioned that notices of the receipt of bank holding company applications published in the Federal Register specify that written comments or views may be submitted within a 30-day period. Since the Department of Justice was not required to report, he suggested that perhaps the 30-day period might be considered applicable.

Mr. O'Connell noted that the Department of Justice had not in the past complied with the 30-day limitation, having indicated that it could not be committed to a time schedule. Sometimes 60 to 90 days

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elapsed after publication of the notice of receipt of an application before the Department advised the Board that it planned to submit a report. On occasion, members of the Justice staff, prior to submitting a report, had asked whether there was any indication as to when the Board might act on a particular application. The Board's staff, of course, was not in a position to furnish that type of information.

Governor Robertson suggested that it might be embarrassing for the Board to have acted on a bank holding company application and then receive a Justice Department report expressing the view that the proposal clearly involved section 7 of the Clayton Act. He wondered if it might be advisable, prior to the Board's consideration of a holding company application, for a member of the Board's staff to call the Department and ask whether a report would be submitted.

Governor Mills stated that he thought such a procedure would be in derogation of the Board's statutory responsibilities. As a courtesy, it was the practice to notify the Justice Department of the receipt of each bank holding company application, and it was then up to the Department, if it so desired, to express its views. It was also up to the Board to give such weight as it desired to any reports filed. Under the Bank Holding Company Act, Justice did not have a responsibility to submit reports on bank holding company applications. By statute, the Board was not required to take into account the Clayton Act in bank holding company cases except in a very general way. It was his impression

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that in this instance the Legal Division did not feel that any Clayton Act aspects were of sufficient importance to inject them into the Board's consideration of the application.

Chairman Martin then suggested that it might be desirable to invite Judge Loevinger (Assistant Attorney General, Department of Justice) to the Board for lunch in order to discuss the question of a time schedule for submitting reports on bank holding company applications.

After further discussion, Governor Robertson expressed the view that, having received the report on the Virginia Bankshares application and as a matter of good relations between the Justice Department and the Board, the report should be considered before taking a vote on the pending application. There being general agreement with this view, it was understood that a copy of the report would be distributed to each member of the Board and that the application would then be considered further.

All members of the staff except Messrs. Sherman, Hackley, Solomon, Farrell, and Conkling and Miss Carmichael then withdrew.

Income and expense statements of Reserve Banks. Having recently attended a meeting of the board of directors of a Federal Reserve Bank, Governor King raised a question about the form in which reports of income and expenses were presented to Reserve Bank directors. In a statement distributed at that meeting, Reserve Bank earnings had been shown as a large lump sum, with no breakdown as to source. Since there

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was no indication that the largest portion of the Reserve Bank's earnings was derived from Government securities and not from discounts and other sources, he thought directors might have the wrong impression as to the source of the earnings turned over to the United States Treasury.

In the discussion that followed, Mr. Farrell pointed out that, while monthly statements were somewhat abbreviated, annual statements for each Reserve Bank showed a breakdown of income data.

At Chairman Martin's suggestion, it was understood that Governor King would discuss this matter further with Mr. Farrell in order to determine whether it would be desirable to suggest that Reserve Banks submit more detailed monthly income statements to their boards of directors.

Mr. Conkling then withdrew from the meeting.

First Oklahoma Bancorporation. Governor Robertson reported that on November 9, 1962, in Chairman Martin's absence, he had received a telephone call from Senator Monroney of Oklahoma regarding the pending application of First Oklahoma Bancorporation, Inc., Oklahoma City, Oklahoma, to acquire shares of two banks and thereby become a bank holding company. Senator Monroney had stated that he was interested personally in this case and expressed the hope that the Board would withhold its decision until after the State Legislature met in January 1963, at which time he thought that legislation would be enacted reflecting the type of banking system that the people in the State of Oklahoma wished to have.

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Governor Robertson said that he had replied that the application was under consideration by the Board at this time, but that before a decision was announced he would call Senator Monroney's request to the attention of the Board.

Chairman Martin said he thought perhaps he should call Senator Monroney and inform him that the Board could not at this time comply with his request. It was noted in this connection that the Board's decision on the application had been made at the meeting on October 31, 1962, but had not yet been announced.

After further discussion, it was understood that Chairman Martin would call Senator Monroney and explain why the Board was not in a position to comply with his request.

Coin shortage (Item No. 7). Observing that the coin shortage problem was particularly acute at this time and that it was doubtful whether the supply of coin was adequate for the Christmas season, Governor Mitchell suggested that the Board send a letter to Secretary of the Treasury Dillon calling his attention to this situation.

Governor Mitchell mentioned that the Jewel Tea Company in Chicago was considering plans to have fractional scrip printed and token coins minted to deal with an anticipated shortage in that area. He believed that there was some point in again placing the Board's views on record, and a draft of letter had been prepared with that in mind.

A general discussion ensued during which mention was made of the increased demand for coin resulting in part from the use of vending

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machines and new sales taxes, along with the desirability of making some provision for taking care of this demand by increasing production in the present mints or by establishing another mint. It was brought out also that the coin shortage problem was related to a lack of sufficient appropriations for production of coin, a situation calling for action by the Congress. Along this line, it was thought that the proposed letter to Secretary Dillon might be useful to the Treasury Department in any efforts it might make to secure increased appropriations for the production of coin.

At the conclusion of the discussion it was agreed to send, after review in the Legal Division, a letter to Secretary Dillon along the lines suggested by Governor Mitchell. A copy of the letter sent on November 16, 1962, is attached as Item No. 7.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, approved on behalf of the Board on November 9, 1962, the following actions relating to the Board's staff:

Transfer

Roberta M. O'Rourke, from the position of Secretary in the Division of Research and Statistics to the position of Secretary in the Division of International Finance, with no change in basic annual salary at the rate of \$5,045, effective upon assuming her new duties.

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Salary increase, effective November 11, 1962Division of Bank Operations

Helen K. Black, Statistical Clerk, from \$4,030 to \$4,250 per annum.

Margaret C. Griset, General Assistant, from \$6,225 to \$6,650 per annum. (Change in title from Administrative Clerk.)

Rosemary V. Jordan, Statistical Clerk-Typist, from \$4,135 to \$4,390 per annum. (Change in title from Clerk-Typist.)

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, approved on behalf of the Board on November 13, 1962, the following actions relating to the Board's staff:

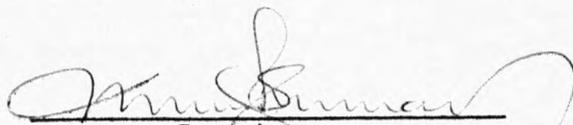
Transfer

Mary Ann McVeigh, from the position of Stenographer in the Legal Division to the position of Secretary in the Division of Research and Statistics, with an increase in basic annual salary from \$4,390 to \$4,565, effective November 25, 1962.

Acceptance of resignation

Virginia Johns, Secretary, Legal Division, effective November 23, 1962.

Governor Shepardson today approved on behalf of the Board a memorandum from Kathleen J. O'Connor, Disbursing Clerk, Office of the Controller, requesting permission to sell Christmas cards after business hours.


Secretary

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

Item No. 1
11/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 14, 1962

Board of Directors,
The Trust Company of New Jersey,
Jersey City, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, pursuant to Section 24A of the Federal Reserve Act, an investment of \$201,998 in bank premises by The Trust Company of New Jersey. Of this amount \$101,998 represents amounts expended in completing one branch and in improving the main office and some other branches as outlined in your letter of October 22, 1962. The remaining \$100,000 is for the purpose of reconditioning some of your branch buildings during the coming year.

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
11/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 14, 1962

Board of Directors,
Security Trust Company of Rochester,
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 17, 1963, the time within which Security Trust Company of Rochester may establish a branch at 293 East Main Street, Rochester, New York.

It is noted that a portion of the planned construction at this site is expected to be completed and occupied in the summer of 1963. Once these quarters are occupied, the branch is legally established so far as the Board is concerned, and a further extension of time in which to complete construction of a building contiguous to the established branch is unnecessary.

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
11/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1962

Mr. W. D. Fulton, President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Fulton:

This refers to your letter of October 25, 1962,
concerning the installation of a separate air conditioning
system on the third floor of the Cincinnati Branch building.

The Board will interpose no objection to your
Bank's proceeding with the proposal outlined in your letter,
and authorizes the expenditure of approximately \$108,000,
including contingency allowance of \$10,000, for the program.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 4
11/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 14, 1962

Mr. F. B. Whitman,
Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Whitman:

In accordance with the request in your letter of October 29, 1962, the Board of Governors approves the appointment of Mr. Adolph R. Szevery as a Federal Reserve Agent's Representative at the Los Angeles Branch to succeed Mr. L. H. Steffer who will retire next year.

This approval is given with the understanding that Mr. Szevery 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. Szevery may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Los Angeles 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. Szevery 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. Szevery 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.

TELEGRAM
LEASED WIRE SERVICE

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Item No. 5
11/14/62

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 14, 1962.

Presidents of all Federal Reserve Banks

Re letter S-1846 of November 9, 1962, relating to extensions of time for opening of branches, Board has granted one six-month extension for all outstanding authorizations for which no extension has thus far been given. Accordingly, your Bank may handle requests received for extensions of time on all such authorizations in accordance with procedure outlined in S-1846.

(Signed) Merritt Sherman

Sherman

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

Item No. 6
11/14/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1962

Mr. James M. Bellamy, President,
Community Holding Company,
108 East Marion Street,
Knoxville, Iowa.

Dear Mr. Bellamy:

This refers to the request contained in your letter, 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 Community Holding Company as a holding company affiliate.

From the information submitted, the Board understands that Community Holding Company was organized for the specific purpose of acquiring and holding capital stock of The Community National Bank & Trust Company of Knoxville, Knoxville, Iowa; that the Company is a holding company affiliate by reason of the fact that it owns 2,005 of the 4,500 outstanding shares of stock of that bank, which amount owned is more than 50 per cent of the number of shares voted at the last election of directors; that the Company has a contract to sell credit life insurance but has no other business activity; and that the Company does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Community Holding Company 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, such Company 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 differ from those set out above to an extent which would indicate that Community Holding Company might be deemed to be so engaged, this matter should again be submitted to the Board. Particularly, if investments in bank stocks

Mr. James M. Bellamy

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other than The Community National Bank & Trust Company of Knoxville are of such an extent and size, even though not constituting control, as to make it advisable for the Board to determine that such Company is engaged as a business in holding the stock of banks, the determination herein granted may be rescinded. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
11/14/62

OFFICE OF THE CHAIRMAN

November 16, 1962.

The Honorable C. Douglas Dillon,
Secretary of the Treasury,
Washington 25, D.C.

Dear Mr. Secretary:

In recent years banks and large users of coin have periodically been seriously inconvenienced by shortages of coin supplies. These shortages become especially acute during the seasonal Christmas shopping period. The consequences range all the way from hoarding by large users to rationing by Federal Reserve Banks and to costly private shipments from surplus to deficit areas.

This fall the usual evidences of shortages exist but, in addition, at least one large user in metropolitan Chicago, a chronic shortage area, has under consideration plans to have fractional scrip printed and token coins minted to deal with an anticipated inability to obtain a sufficient supply of Government coin.

As you may know, the Federal Reserve System has been concerned for several years about recurring shortages of coin. In previous letters to Secretary Anderson on July 12, 1960, and to Under Secretary Roosa on August 7, 1961, the Board expressed the hope that some arrangements could be worked out for a coin production schedule that would permit the stocking of a reserve supply of coins sufficient to meet all seasonal and growth needs.

The Board believes that the possibility of issuance of scrip by a private corporation, not for promotional reasons but merely because of a deficiency in mint supplies, is sufficiently undesirable to warrant bringing it to your attention at this time with the hope that some emergency measures may be possible to ease the current shortage of coins and avoid a recurrence of this situation in the future.

Sincerely yours,

Wm. McC. Martin, Jr.
Wm. McC. Martin, Jr.