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Minutes for December 13, 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	<u>(M)</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>CCRB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, December 13, 1962. The Board met in the Board Room at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
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. Hexter, Assistant General Counsel
Mr. Chase, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Mattras, General Assistant, Office of
the Secretary
Mr. Young, Senior Attorney, Legal Division
Mr. Collier, Chief, Current Series Section,
Division of Bank Operations

Wegematic Corporation compromise offer (Item No. 1). There had
been distributed a proposed letter addressed to the Department of
Justice in response to a request from the Department for the Board's
recommendation as to acceptance or rejection of an offer of \$25,000
recently made by Wegematic Corporation, New York, New York, to settle
the Government's suit against that corporation for damages incident to
the failure of Alwac Corporation to fulfill the terms of a contract
with the Board relating to the delivery of an electronic computer. The

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draft of letter noted that the Board had advised the Department in a letter dated February 14, 1961, that it would be agreeable to acceptance of a \$55,000 offer of compromise which had been proposed by Wegematic Corporation, but that the Attorney General upon further review decided to reject that offer. The proposed letter would also indicate that the Board would prefer not to make a recommendation at this time.

In discussion, Governor King expressed the feeling that the Board should adopt a more positive position than that stated in the proposed letter. He noted that a relatively minor matter was involved and, although the Board might not have been kept abreast of all of the developments in connection with the investigation and prosecution of the case, he felt that the general circumstances would justify taking a stronger position that prompt settlement of the matter would be desirable.

Other members of the Board expressed general agreement with Governor King's view that it would be desirable if the issue could be resolved. In further comments, reference was made to some of the historical aspects of the case, including the circumstances that led to the claim for damages and the steps taken by the Department of Justice in prosecuting the matter. It was brought out that the decision whether to accept any particular offer of settlement resided with the Justice Department. Therefore, it would seem appropriate that the Board's letter not be phrased in terms of approval or disapproval of the proposed \$25,000 settlement.

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The Board then approved the proposed letter with the understanding that it would be revised to express the feeling that it would be desirable if the matter could be brought to a conclusion and to indicate that the Board would not disagree with any settlement the Department of Justice might believe to be appropriate.

Governor King stated that he would like to see the letter after it was redrafted, at which time he would indicate his position with respect to it.

Secretary's Note: Subsequently, the revised draft of letter was cleared with Governor King. A copy of the letter in the form in which it was sent is attached to these minutes as Item No. 1.

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

Item No.

- Letter to The Bank of Halifax, Halifax, Virginia, approving an investment in bank premises. 2
- Letter to American Bank and Trust Company, Suffolk, Virginia, approving the establishment of a branch at the location of its present principal office at Main and Washington Streets, upon the removal of such office to a new location. 3
- Letter to Traverse City State Bank, Traverse City, Michigan, interposing no objection to the exercise of fiduciary powers. 4

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of St. Louis regarding the question whether the service of a registered dealer in securities as a director of a national bank was in contravention of section 32 of the Banking Act of 1933 and the Board's Regulation R.	5
Letter to Republic National Bank of Pueblo, Pueblo, Colorado, granting permission to maintain reduced reserves.	6
Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in San Jose.	7
Letter to Covington & Burling, Washington, D. C., in further reference to the need for Board approval of the sale by Western Bancorporation of stock of First Western Bank and Trust Company, Los Angeles, California.	8
Letter to the Federal Reserve Bank of Atlanta approving the payment of salaries to three newly appointed officers.	9

Messrs. Chase, Young, and Collier then withdrew from the meeting.

Report on competitive factors (Montrose-LeRaysville, Pennsylvania).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of LeRaysville, LeRaysville, Pennsylvania, into The County National Bank of Montrose, Montrose, Pennsylvania.

After discussion of the characteristics of the area concerned and the report submitted on the matter by the Federal Reserve Bank of Philadelphia, the report was approved unanimously for transmission to the Comptroller of the Currency in a form in which the conclusion read as follows:

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The proposed merger of The County National Bank of Montrose and The First National Bank of LeRaysville would eliminate the modest degree of competition existing between these two banks. While the addition of First National's resources would not appreciably alter the relative size of County National, the conversion of First National into a branch would extend the continuing bank's service area and increase its existing potential ability to dominate banking activities in the area.

Citizens Bank & Trust Company (Item No. 10). There had been distributed a memorandum from the Legal Division dated December 12, 1962, in connection with further developments regarding termination by Citizens Bank & Trust Company, Park Ridge, Illinois, of its United Security Account plan. On November 26, 1962, the Board had reiterated by letter its previous statement to Citizens Bank that the United Security Account plan must be terminated by December 31, 1962, but a further letter had been received from the bank under date of December 7, 1962, signed with the name of the bank's president "per R.M." The memorandum noted that "R.M." apparently referred to Mr. Roderick MacArthur, son of Mr. John MacArthur, Chairman and majority stockholder of the bank. The memorandum pointed out that whereas Citizens Bank had indicated earlier that it would terminate the plan in question, the December 7 letter showed some disposition to re-argue the matter. The letter requested additional time to work out a "permanent solution" even though the Board had already granted two extensions of time for termination of the plan.

There had been distributed with the memorandum a draft of letter to Citizens Bank advising it that the Board had concluded, in the

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circumstances, that it would not be warranted in refraining from applying sanctions prescribed by law for failure to comply with provisions of the Federal Reserve Act and regulations thereunder, if Citizens Bank should continue operations under the plan after the end of this year. However, the Legal Division suggested that before sending such a letter it might be useful to have a member or representative of the Board discuss the matter with Mr. John MacArthur, who reportedly was currently in New York City. It was noted that Vice President Hodge of the Federal Reserve Bank of Chicago felt, based on conversations with Vice Chairman Lyman Sorensen of Citizens Bank, that such a contact with Mr. MacArthur held out the possibility of achieving compliance by the bank without the necessity of a formal proceeding. According to Mr. Hodge, President Scanlon and First Vice President Helmer of the Chicago Reserve Bank concurred in his view and urged that Mr. MacArthur be called and invited to visit the Board's offices for discussion. The Legal Division noted that the proposed course of action would not necessarily delay the institution of formal proceedings if such should prove to be required.

In discussion, Governor Mills said that he considered this an unhappy situation, one in which the Board's legal position might not be completely solid. He expressed the feeling that the procedure suggested by the Chicago Reserve Bank and the Legal Division (that is, discussion with Mr. John MacArthur) might afford a way of settling the matter with a minimum of disagreement. However, he was not sure as to the best procedure to follow in arranging such a discussion.

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Mr. Hexter referred in this connection to the portion of the Legal Division's memorandum in which reference had been made to a telephone call from Vice President Hodge wherein Mr. Hodge expressed the view of the Chicago Reserve Bank that the best course would be for the Board to get in touch with Mr. MacArthur, who reportedly was expecting a call and would be willing to visit the Board's offices to discuss the matter. Mr. Hexter noted that the Reserve Bank had as full information on the case as the Board's staff, plus the advantage of contact with officers of the member bank. It was largely with that background in mind, Mr. Hexter said, that the Legal Division suggested that Mr. Hodge's recommendation be followed. Mr. Hexter added that perhaps the Board would want to have its Secretary call Mr. MacArthur and invite him to visit the Board's offices.

Governor Mitchell referred to the history of the case and expressed the view that it would be a mistake at this point to approach Mr. MacArthur directly or to invite him to the Board for a discussion of the matter. He felt that such a confrontation would only involve the Board more deeply, that it would serve no useful purpose, and that it would build up the case beyond its true significance. He noted that the Federal Reserve Bank of Chicago was fully informed and suggested that the Reserve Bank, if anyone, should discuss the situation with Mr. MacArthur.

Mr. Hexter then supplemented his previous comments by noting that the staff recommendation was motivated by a desire to avoid, if possible, what might be an extended termination of membership proceeding.

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He brought out that Mr. MacArthur, due to his many nonbanking interests, might not be fully aware of the consequences of continued noncompliance by Citizens Bank with the request for termination of the United Security Account plan. The Legal Division felt that the Board had little to lose, and possibly something to gain, by giving Mr. MacArthur a chance to realize the seriousness of the situation.

Governor Robertson commented that the Board was not dealing with a situation in which it was starting afresh, but rather with a situation as it had developed and now existed. Included in the background of the case was the fact that Vice Chairman Sorensen of Citizens Bank apparently had tried to serve as an intermediary in an effort to resolve the question of the United Security Account plan satisfactorily. In these circumstances, Governor Robertson said, he would not be inclined to invite Chairman MacArthur to come down to the Board's offices. However, he would have the Board's Secretary call Mr. MacArthur on the telephone, tell him of the Board's letter to Citizens Bank dated November 26, 1962, state that it was understood that the United Security Account plan would be terminated December 31, 1962, but point out that the bank's letter dated December 7 indicated that this might not be the case. In this manner, Mr. MacArthur would be fully informed. Then, if satisfactory action was not taken by the bank, the Board could proceed in whatever way it deemed appropriate to see that the plan was terminated.

Governor King indicated that he saw danger in being too patient. He felt that an ultimate settlement of the matter could be brought about

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more easily and quickly if patience and indulgence were not carried too far. He agreed with the procedure suggested by Governor Robertson.

Governor Mills indicated that although he would not disagree, he wished to repeat that he was fearful as to where the Board would wind up. He further commented that Mr. MacArthur apparently had been led to believe that he would be in receipt of some informal communication from the Board. If so, he raised the question whether the Board should not carry through, if only to say to Mr. MacArthur that the Board had not found it possible to alter its previously stated position and must request that prompt attention be given to its earlier communications; also, that a further communication was going forward to Citizens Bank calling attention to the requirement that the United Security Account plan be terminated as of the end of this year.

There followed further discussion relating to the procedural aspects of the matter, including the question whether the proposed Board letter addressed to the Board of Directors of Citizens Bank might be expected to come promptly to the attention of Mr. MacArthur.

Governor Robertson then modified his previous suggestion by proposing that the Board's Secretary be instructed to get in touch with Mr. MacArthur by telephone so as to put him on notice of the sending of the Board letter. Then, if Mr. MacArthur wanted to take action, that would be up to him.

Governor Mills inquired of Governor Robertson whether the latter would want to add to his procedural suggestion that if Mr. MacArthur

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indicated that he would like to visit the Board's offices and discuss the matter he should not be discouraged. Governor Robertson replied that he would not object, if the initiative was taken by Mr. MacArthur.

Governor King commented that a telephone call to Mr. MacArthur would be sufficient to advise him of the Board's determination in this matter. He added that in his view the Board should be courteous but firm, and that further temporizing might only produce a more difficult situation.

Governor Mitchell expressed the feeling that any direct approach to Mr. MacArthur might contrive to make the Board appear in the role of a supplicant. As he had stated previously, he felt that the matter should be handled through usual business channels. In his opinion, an additional and unnecessary risk was involved in direct dealings with Mr. MacArthur. Accordingly, he would not favor Governor Robertson's suggestion. He would simply send the proposed letter to Citizens Bank.

Governor King stated that he would dissent from the proposed procedure insofar as it included an authorization to the Secretary to respond favorably if Mr. MacArthur should express a desire to come to the Board's offices for discussion. It was Governor King's view that in the event of such a request Mr. MacArthur should be advised to write a letter to the Board.

Governor Balderston then said he gathered that the Board was unanimously in favor of sending the proposed letter to Citizens Bank & Trust Company; that with the exception of Governor Mitchell the Board

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members would favor requesting the Secretary to report the contents of the letter to Mr. MacArthur by telephone; and that if Mr. MacArthur should request an opportunity to come to the Board for discussion of the matter, Governors Mills, Robertson, Shepardson, and Balderston would be disposed to give him a favorable answer. There was no indication of disagreement with Governor Balderston's summarization of the positions of the Board members on the procedure to be followed.

Governor King noted that he considered this matter of sufficient importance to warrant as extensive discussion of it by the Board as seemed necessary, and there was no disagreement with this comment.

Mr. Hackley noted for the record that he and Mr. Shay had not participated in the consideration of this matter by the staff at any stage, nor had they participated in the discussion at this meeting.

Secretary's Note: After the meeting Mr. Sherman got in touch with Mr. MacArthur by telephone and advised him in the manner indicated by the foregoing discussion. He reported on the outcome at the Board meeting on December 14, 1962. Attached to these minutes as Item No. 10 is a copy of the letter from the Board to Citizens Bank & Trust Company that was sent under date of December 13, 1962, with a copy to the Federal Reserve Bank of Chicago.

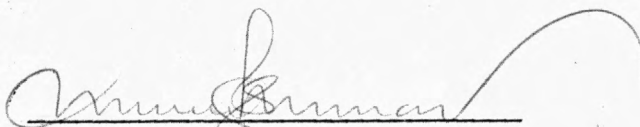
The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Examinations, Governor Shepardson today approved on behalf of the

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Board the transfer of Linda Ann Gordon from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Examinations, with no change in basic annual salary at the rate of \$4,110, effective December 23, 1962.



Secretary

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

Item No. 1
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962.



Mr. Joseph D. Guilfoyle,
Acting Assistant Attorney General,
Civil Division,
United States Department of Justice,
Washington 25, D. C.

Attention: Mr. Donald B. MacGuineas
JDG:RM 77-51-2529

Dear Mr. Guilfoyle:

This is in response to your letter of November 19, 1962, in which you request the Board's recommendation as to acceptance or rejection of an offer of \$25,000 recently made by Wegematic Corporation to settle the Government's suit now pending against that corporation.

You will recall that although the Board by letter dated February 14, 1961, informed the Civil Division that it would be agreeable to an acceptance of a \$55,000 offer of compromise which had been proposed by the defendant, the Attorney General, upon further review of the case, decided to reject that offer.

The Board has not been informed of any important change in the Wegematic situation since that time. It feels that the matter should be brought to a conclusion as promptly as possible, with due regard for the interest of the United States, and it would not disagree with any settlement that the Department of Justice may believe to be appropriate.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 2
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Board of Directors,
The Bank of Halifax,
Halifax, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by The Bank of Halifax, Halifax, Virginia, of \$111,750 for an addition to present bank premises. This amount includes \$35,000 already spent for land.

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
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Board of Directors,
American Bank and Trust Company,
Suffolk, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by American Bank and Trust Company at the location of its present principal office at the intersection of Main and Washington Streets, Suffolk, Virginia, upon the removal of such office to a new location, provided the proposed branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 4
12/13/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Board of Directors,
Traverse City State Bank,
Traverse City, Michigan.

Gentlemen:

This refers to your request for permission to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System will interpose no objection to the exercise by Traverse City State Bank of the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Michigan.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 5
12/13/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
P. O. Box 442,
St. Louis 66, Missouri.

Dear Mr. Wyrick:

This is in response to your letter of November 30, 1962, enclosing a letter of November 27, 1962, from Mr. Edward C. Schneider, Attorney at Law in St. Louis. Mr. Schneider inquires whether the service of Mr. R. G. Mills, a registered dealer in securities, as a director of the South Side National Bank in St. Louis is in contravention of the prohibitions of section 32 of the Banking Act of 1933 and the Board's Regulation R.

Mr. Schneider states that the only securities the bank purchases are Government Bonds and that it purchases no municipal bonds. It is also understood that Mr. Mills' principal business is to underwrite bonds for the erection and construction of hospitals and churches.

Legislation of this nature inevitably produces some instances of apparent hardship where, because of the character of the persons involved or other circumstances of the particular cases, there is no reason to believe that any harm will result from the prohibited relationships. However, as pointed out in the Board of Governors of the Federal Reserve System v. Agnew, 329 U.S. 441, 449 (1947), in which the applicability of section 32 to such interlocking relationships is discussed,

"Section 32 is not concerned, of course, with any showing that the director in question has in fact been derelict in his duties or has in any way breached his fiduciary obligations to the bank. It is a preventive or prophylactic measure. The fact that respondents have been scrupulous in their relationships to the bank is therefore immaterial."


Mr. O. O. Wyrick

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Accordingly, it would appear that the simultaneous service of Mr. Mills as a registered securities dealer and as director of South Side National Bank in St. Louis is in contravention of section 32. It would be appreciated if you would notify Mr. Schneider of these views of the Board.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 6
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Board of Directors,
Republic National Bank of Pueblo,
Sunset Plaza,
Pueblo, Colorado.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Republic National Bank of Pueblo to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 7
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to July 8, 1963, the time within which Wells Fargo Bank may establish a branch in the vicinity of the intersection of Camden Avenue, Hicks Road and Kooser Road, San Jose, California.

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. 8
12/13/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

Mr. Hamilton Carothers,
Covington & Burling,
Union Trust Building,
Washington 5, D. C.

Dear Mr. Carothers:

Reference is made to the letter of the Board of Governors, dated December 3, 1962, advising you of the Board's conclusion that no approval or other action of the Board is necessary prior to the proposed sale by Western Bancorporation of stock of First Western Bank and Trust Company, Los Angeles, California, to Greatamerica Corporation.

You have since informed the Board that \$2,440,560 of the \$63,374,994 purchase price will be met by two five-year notes of Greatamerica Corporation. The remainder will be paid in cash.

This letter is to advise you that this variation in the terms of the sale as presented in your letter of November 28, 1962 does not alter the Board's conclusion that no approval or other action of the Board is necessary prior to the proposed purchase and sale of stock of First Western Bank and Trust Company.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962

CONFIDENTIAL (FR)

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Atlanta for the period January 1 through December 31, 1963, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Eric B. Hingst	Assistant Cashier	\$10,000
N. Carson Branan	Assistant Cashier	10,500
Fred R. Millsaps	Assistant Cashier	11,000

The rates approved by the Board are those fixed by your Board of Directors as reported in your letter of November 9, 1962.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.


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

Item No. 10
12/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1962.



Board of Directors,
Citizens Bank & Trust Company,
Northwest Highway at Touhy Avenue,
Park Ridge, Illinois.

Gentlemen:

This is with reference to a letter from your bank dated December 7, 1962, which was signed "Edward J. Reilly per R. M."

More than a year ago your bank was advised that the "United Security Account" plan would be prohibited by section 217.1(e)(3) of Federal Reserve Regulation Q as amended effective January 15, 1962. Since that time, at your request, the Board has twice extended the date for termination of operations under that plan. In its most recent letter, dated November 26, 1962, the Board again pointed out that the plan must be terminated by December 31, 1962.

Having reviewed the matter, the Board has concluded that it would not be warranted in refraining from applying sanctions prescribed by law for failure to comply with provisions of the Federal Reserve Act and regulations thereunder, if Citizens Bank should continue operations under the United Security plan after the end of this year.

Very truly yours,

(signed) Merritt Sherman,

Merritt Sherman,
Secretary.