Minutes for January 31, 1963

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, January 31, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Miss Hart, Senior Attorney, Legal Division
Mr. Hunter, Supervisory Review Examiner, Division of Examinations
Mr. White, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on January 30, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

1/ Withdrew from meeting and returned at points indicated in minutes.

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.
Letters to Morgan Guaranty International Finance Corporation, New York, New York, granting permission (1) to purchase shares of Holding Company for Financing and Credit Ltd., Basle, Switzerland; (2) to acquire shares of Australian United Corporation Limited, Melbourne, Australia, in exchange for shares of Anglo-Australian Corporation Pty. Limited; and (3) to purchase shares of Euramerica Finanziaria Internazionale, S.p.A., Rome, Italy.	1-3
Letter to Union Trust Company of Ellsworth, Ellsworth, Maine, approving an extension of time to establish a branch on Outer High Street.	4
Letter to The Central Trust Company, Cincinnati, Ohio, approving an extension of time to establish a branch at 3300 Central Parkway.	5
Letter to The Central Bank and Trust Co., Denver, Colorado, regarding its request that a public hearing be held on the application of Denver U. S. Bancorporation for permission to become a bank holding company or, if that request be denied, that the bank be permitted to file a written objection to the application.	6

With reference to Items 1-3, Governor Robertson suggested that it would be helpful if the staff would study, and submit views on, the effect of investments by Edge and agreement corporations on the United States balance of payments, particularly in light of the proposed revision of Regulation K, Corporations Doing Foreign Banking or Other

Foreign Financing Under the Federal Reserve Act, to which the Board had been giving consideration recently. There was general agreement with Governor Robertson's suggestion.

Governor Balderston was called from the meeting at this point.

Interest on "savings shares" acquired from another institution (Items 7 and 8). At its meeting yesterday the Board had considered a draft of letter to the Federal Reserve Bank of Boston regarding a request by Indian Head National Bank of Nashua, New Hampshire, for a ruling with respect to the payment of interest on funds represented by "savings shares" to be acquired through the purchase of assets and assumption of liabilities of Claremont Co-operative Bank (a building and loan association). The national bank wished to know whether it might immediately pay interest at the maximum 4 per cent rate on funds that had been on "deposit" in the other institution for a period of at least 12 months. The draft letter took the position that Indian Head National Bank could immediately begin paying the 4 per cent rate on any savings funds that Claremont Co-operative Bank had held for at least a year. Discussion of the matter had indicated the desirability of preparing a new draft of letter reflecting certain suggested changes, and a revised draft subsequently had been distributed. Prior to this meeting, further changes had been suggested by Governor Mills, and at the beginning of today's discussion the portion of the draft containing those changes was read by Mr. Hooff.

The ensuing discussion related principally to the last paragraph of the revised draft, which stated that although the provisions of Regulation Q contemplated that normally the words "any savings deposit that has remained on deposit" meant a deposit in the same bank, the Board was of the opinion that where a member bank took over another bank by merger, consolidation, or purchase of assets, savings accounts in such other bank would be considered as having been on deposit in the resulting bank. It was contemplated that the substance of that paragraph, but not the remainder of the letter to the Federal Reserve Bank of Boston, would be sent to all of the Reserve Banks as a general interpretation.

Governor Robertson, observing that the last paragraph of the draft referred only to banks, raised the question whether it might not be misleading to send only that paragraph to the Reserve Banks, and whether the paragraph, therefore, should not be revised to speak of another "institution" being taken over, since in any similar future case the Board presumably would take the same position that was taken in the draft letter. Upon consideration of this point, however, the view was expressed that it might be desirable to keep the general interpretation on the conservative side by limiting it to deposits in banks being taken over by other banks; it was suggested that use of the word "institution" might have the effect of expanding the interpretation to such extent as possibly to place the Board in an embarrassing position on some future occasion. If the interpretation was expressed only in

terms of banks, the Board could determine cases involving nonbank institutions in such manner as it saw fit, just as it was doing in the present case, if and when specific questions should arise.

After further discussion, it was agreed unanimously that the substance of the last paragraph of the draft letter would be sent to the Federal Reserve Banks as an interpretation, and that it would be published in the Federal Reserve Bulletin and in the Federal Register. A copy of the letter sent to the Federal Reserve Banks is attached as Item No. 7. It was also agreed that the terms of the foregoing interpretation need not be included in the letter to the Federal Reserve Bank of Boston concerning the specific question that had arisen. Therefore, with the last paragraph of the draft deleted, and with certain suggested changes in the wording of the remainder of the letter having been agreed upon, the letter to the Federal Reserve Bank of Boston was approved unanimously. A copy is attached as Item No. 8.

Messrs. O'Connell, Hooff, Goodman, and Thompson then withdrew.

Dauphin Deposit Trust Company merger denial (Item No. 9). There had been distributed a memorandum dated January 18, 1963, from the Division of Examinations and the Legal Division regarding a request for reconsideration and oral presentation in the matter of the application, denied by order dated July 13, 1962, of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, to merge with The First National Bank of Mount

Holly Springs, Mount Holly Springs, Pennsylvania. The Board's statement indicated that it had denied the application because consummation of the proposed merger would eliminate the substantial competition existing between the two banks and because it would result in further concentrating the banking resources and facilities in Dauphin and Cumberland Counties. Further, the Board considered that there was insufficient evidence to indicate that the banking needs of Mount Holly Springs required a local office of a larger bank.

Through its attorneys the applicant had submitted supplemental information in support of its request for reconsideration and an opportunity to present the matter orally before the Board. Among other things, that information presented a more detailed analysis of the service area of Mount Holly Springs, which the applicant contended should include territory within a five-mile radius. The applicant also referred to three bank mergers in the Harrisburg-Carlisle-York area that had been approved by the Comptroller of the Currency subsequent to the filing of Dauphin Deposit's application. Figures were presented showing the increases in banking concentration in Dauphin and Cumberland Counties that had resulted from those mergers, and it was contended that the increase that would result from the merger proposed by Dauphin Deposit Trust Company would have only a minute effect on its deposit and office standings in the two counties. The supplemental information also included as an exhibit a copy of the letter sent to the Board on October 3, 1962, by the Secretary of Banking of Pennsylvania, in which he

set forth his reasons for approving Dauphin Deposit's merger application and made certain observations comparing the Board's action and the action of the Comptroller of the Currency in a number of mergers. His letter concluded by saying: "In view of the Comptroller's liberal policies, I urge your Board to give great consideration to the desires of the owners of the merging institutions since the banking and competition factors involved do not appear clearly negative."

The Division of Examinations' portion of the January 18, 1963, memorandum analyzed and appraised the various arguments advanced in the supplemental information that had been submitted. It was observed that when the merger application was originally submitted to the Board, the Division recommended approval. Had the expanded information been available when the application was first considered, the Division would have felt its favorable recommendation was supported even more strongly. On the other hand, the supplemental information was not, in the opinion of the Division, of such nature as to require reconsideration of the application by the Board. It was principally a refinement of the information originally submitted.

The Legal Division's portion of the January 18 memorandum cited the provision in the Board's Rules of Procedure that "the Board will not grant any request for reconsideration of its action" in a bank holding company or merger case (1) "unless the request presents relevant facts that, for good cause shown, were not previously presented to the Board," or (2) "unless it otherwise appears to the Board that reconsideration would

be appropriate." After reviewing court decisions and the practices of Government agencies on questions of this kind, the Division concluded that it would be within the discretion of the Board to reconsider the application of Dauphin Deposit Trust Company and, if the Board so desired, to order an oral presentation. However, it was also felt that the Board would be justified in not granting reconsideration unless the Board believed that new evidence material to the decision had now been offered which, for sound reason, was not submitted in the first place.

Mr. Leavitt began the discussion by summarizing the principal points made by the Division of Examinations in the January 18 memorandum. In explanation of the references in the memorandum to a special opportunity that had been afforded the applicant to submit information, he stated that the Division had considered inadequate the information in the original application relating to competition between the two banks, and therefore had asked the Philadelphia Reserve Bank to obtain additional information. In citing several of the specific points advanced in the request for reconsideration, he brought out that each of them had been weighed by the Board in its original consideration of the application.

Mr. Shay and Miss Hart then commented upon the legal aspects of the request, observing that the provision in the Board's Rules of Procedure to the effect that reconsideration might be granted if it "appears to the Board that reconsideration would be appropriate" allowed broad discretion. A special circumstance that might bear upon the Board's reaction to this particular request was that in 1961 the Board

denied an application by the same bank to merge with Camp Curtin Trust Company, Harrisburg, Pennsylvania, but granted a request for reconsideration and then reversed its decision. It was also noted that in a recent case a State bank commissioner had asked the Board to reconsider a denied merger application, but the Board had refused.

Governor Mitchell observed that the area involved was not far from Washington and made the tentative suggestion that appropriate members of the Board's staff might go there, perhaps in company with representatives of the Philadelphia Reserve Bank, to make an on-the-spot study. In his view, the definition of the market area was important. On merger and holding company applications in general, he did not believe the Board was getting adequate delineation of market areas. As to the immediate application, in addition to a study of the market area, it might be helpful to have a study of the loan portfolios of the banks involved.

The general reaction to this possibility was that such a study, conducted at the present stage of this particular case, might set a precedent that would cause difficulty in the future. There was general agreement, however, that Governor Mitchell's suggestion should be borne in mind for future uses.

Governor Mills, who dissented from the original decision, stated that he would abstain from participating in the decision on the request for reconsideration. He had been of the opinion that the market area taken into account by the Board in reaching its original adverse decision was too small; in his opinion, it should have been the

whole York-Harrisburg area. Therefore, he felt that Counsel for Dauphin Deposit had reason to attempt to rebut the Board's view concerning the significant market area. An unusual factor involved in this case was that, while the Board had denied the Dauphin Deposit-Mount Holly Springs merger, the Comptroller of the Currency had approved three other mergers in the same general area, thus resulting in intensification of the banking concentration with which the Board had been concerned. Thus, an injustice may have been done to Dauphin Deposit, but it would be difficult to correct in present circumstances.

Governor Robertson suggested that the very purpose of adopting the Rules of Procedure was to block off reconsideration in the absence of a showing of substantial evidence that was not available previously. Therefore, he felt that the present request for reconsideration should be denied.

Governor Shepardson said that in general he believed the rule that reconsideration would be granted only when substantial new information was offered was appropriate. However, in the present case a peculiar situation had developed. The approval of other mergers by the Comptroller of the Currency had aggravated banking concentration in the area. Governor Shepardson was inclined to deny the request for reconsideration, yet he felt that a reason had developed for this particular bank to feel that it had been dealt with inequitably. How that dilemma could be resolved, he did not know. If the application were being considered under present circumstances, he would be inclined, he thought,

to vote for approval; yet reconsideration, possibly resulting in approval, would raise issues relating to the administration of the merger law.

Governor Mitchell stated that his feelings were about evenly balanced regarding the request for reconsideration. If reconsideration was granted, he would not be satisfied with the information now in hand and would want a further investigation. He would also want information on the general trend of banking in Pennsylvania, because he thought it important to get a sense of the direction in which the State was going. While he believed there was enough new evidence to support a decision for reconsideration, the arguments against it were also strong.

Chairman Martin commented that the situation presented a difficult problem. It seemed clear to him, in one sense, that the Board should not grant reconsideration, particularly in the light of the Board's published Rules of Procedure. However, in merger cases the Board was, so to speak, in the position of acting as a court of justice, and there might be a question whether justice was being rendered.

In response to an inquiry as to how much time must elapse before Dauphin Deposit could submit a new application to merge with the Mount Holly Springs bank, Mr. Shay responded that neither the Bank Merger Act nor the Board's Rules of Procedure set a time that must pass before a new application could be submitted. It might be said that in general, whenever a reasonable time had passed since denial of a first application, a second one might be submitted, especially if the applicant could cite interim developments that had resulted in a significant change in circumstances. In his opinion, a new application might be a better procedure

than reconsideration of the Board's original decision. Consent to reconsideration might foster the impression that an applicant bank could serve its best interests by making a "lazy" first presentation of its case, so that it could more easily obtain reconsideration in the event of denial by having additional information to submit.

Governor Mills then stated that if the Dauphin Deposit application were under consideration at the present time as a new application, he felt that he would vote to deny it. Following the mergers approved by the Comptroller of the Currency in the same general area, it would be another step toward undue concentration of banking resources and restriction of competition.

Following further discussion, Governor Shepardson expressed the view that the Board must look beyond the present case. There were other situations of the same kind developing, and it would seem desirable for the Board to be prepared to meet them with clearly defined standards. He viewed with concern a development whereby the Board would be placed in a position of seeming to be unjust because of the use of different standards by other supervisory authorities. Such a situation might do damage to the banking community, and it might call for re-examination by the Board of its criteria. The question of the eventual outcome was of concern to him.

In summarizing the discussion, Chairman Martin referred to the comment by Governor Mills that if, in present circumstances, the Dauphin Deposit application were coming before the Board as a new application, he

(Governor Mills) would be disposed to deny it. Thus, the Chairman noted, the passage of time had introduced new factors. Circumstances beyond the Board's control had entered into the matter. In this situation, he was not convinced that reconsideration would prove to be profitable from anyone's standpoint.

The request of Dauphin Deposit Trust Company for reconsideration was then denied, Governor Mills abstaining.

Governor Shepardson agreed that, all things considered, this was probably the best decision. He continued to be concerned, however, by the question of equity.

A copy of the letter conveying the Board's decision to Counsel for Dauphin Deposit Trust Company is attached as Item No. 9.

Mr. Kelleher, Director, Division of Administrative Services, entered the room during the preceding discussion and at its conclusion Miss Hart withdrew.

Application of First State Bank, Canisteo, New York. There had been distributed a memorandum dated January 22, 1963, from the Division of Examinations and other pertinent papers regarding the application of First State Bank, Canisteo, New York, for consent to purchase the assets and assume liability to pay deposits in the Greenwood Branch of Security Trust Company of Rochester, Rochester, New York. The Division's recommendation was favorable.

Mr. Leavitt commented on the application, basing his remarks on the information contained in the file on the matter, following which

the application was approved unanimously, with the understanding that an order and statement reflecting this decision would be prepared for the Board's consideration.

Messrs. Solomon, Shay, Leavitt, Hunter, and White then withdrew.

Federal employee parking survey (Item No. 10). There had been distributed a memorandum dated January 30, 1963, from Governor Shepardson regarding a request from the Budget Bureau for comment on the report of a Federal employee parking survey made by General Services Administration in 1961. Among other things, the report recommended (1) that the Public Buildings Service request authorizing legislation to deal with the parking problem; (2) that the Government should initially charge $5 a month for parking space in the "core area"; and (3) that the legislation should assure that agencies now "administering their own parking spaces in connection with managing their own buildings" would participate in the contemplated program. The memorandum stated that the proposal that Government agencies make a monthly charge for parking space appeared to present no serious problem as far as the Board was concerned. Of more serious import was the question whether the Board should give any indication that it would accede to a program that would apparently place the Board's garage and parking lot under the direction and supervision of General Services Administration. If the Board should respond to the Budget Bureau's request by indicating sympathy with the objectives of the report, this might be construed as acquiescence in the proposed program. On the other hand, a response asserting the independence of the Board,

with a reference to the provisions of the Federal Reserve Act giving the Board sole control of its building, could conceivably raise an issue that might lead to controversy. Attached to the memorandum was a draft of reply to the Budget Bureau in terms that did not raise the issue of the independence of the Board. The memorandum included, however, a possible alternative paragraph for the draft letter that would cite the apparent statutory intent that the Board control its own building.

Discussion developed a consensus that, despite the fact that it was perhaps unlikely that legislation such as the report suggested would be enacted, the Board should take a firm position against being covered by any such legislation. Along these lines, the view was expressed that the letter should call attention to the pertinent provisions of the Federal Reserve Act and that, in the circumstances, it would seem undesirable for the Board to be represented on any committee that might be established to study the parking problem.

Accordingly, unanimous approval was given to a letter to the Budget Bureau in the form attached as Item No. 10.

Governor Balderston returned to the meeting at this point. After Chairman Martin had reviewed the actions that the Board had taken during his absence, Governor Balderston indicated that he would like to be recorded in favor of those actions.

Foreign travel. Governor Shepardson stated that a letter had been received from the Bank for International Settlements, Basle,

Switzerland, inviting the Federal Reserve System to send representatives to a meeting of central bank economists to be held at the Bank on March 9-11, 1963. At Governor Shepardson's suggestion, the attendance of Mr. Noyes, Director of the Division of Research and Statistics, was approved unanimously, with the understanding that the attendance of another senior member of the staff was authorized should Mr. Noyes be unable to undertake the assignment. It was understood that the representation of the System would also include Alan Holmes, Vice President of the Federal Reserve Bank of New York, or George Garvy, Economic Adviser of the Bank, as alternate.

The meeting then adjourned.

Secretary

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

Item No. 1
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963

Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letters of November 20 and December 14, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation to purchase and hold 1,000 shares, par value Swiss Francs 100 each, of the capital stock of Holding Company for Financing and Credit Ltd., ("Eurocredit"), Basle, Switzerland, at a cost of approximately US$23,180, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that MGIFC shall dispose of its holding of stock of Eurocredit, as promptly as practicable, in the event that Eurocredit should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by MGIFC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

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
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Janaury 31, 1963

Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of November 27, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation ("MGIFC") to acquire and hold 187,793 shares, par value Australian Shillings 10 each, of Australian United Corporation Limited ("AUCL"), Melbourne, Australia, in exchange for its present holding of 50,000 shares of Anglo-Australian Corporation Pty. Limited and payment in the amount of Australian £264,800, or approximately US$593,150, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that MGIFC shall dispose of its holding of stock of AUCL, as promptly as practicable, in the event that AUCL should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by MGIFC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

The Board's consent is given with the additional condition that neither AUCL nor any subsidiary will maintain any branch, agency, office, or representative in the United States and that AUCL or any subsidiary, in issuing, underwriting, selling or distributing securities abroad, shall not engage or participate in the underwriting, sale or distribution of securities in the United States,

and may not so engage or participate directly or indirectly or through an agency or on a commission or consignment basis or in any other manner. If a security issue is being sold or distributed partly in and partly outside the United States, AUCL or any subsidiary may not underwrite, even on a standby basis, that portion being sold or distributed in the United States (no matter by whom it is being so sold or distributed.)

It is understood that AUCL will not engage in the business of receiving or paying out deposits, or accepting drafts or bills of exchange, and the Board's consent is given subject to this further condition.

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
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963

Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letters of December 3 and December 28, 1962, and January 9, 1963, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation ("MGIFC") to purchase and hold up to 21,000 shares, par value Italian Lire 5,000 each, of the capital stock of Euramerica Finanziaria Internazionale, S.p.A., Rome, Italy ("EFI"), at a cost of approximately US$170,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that MGIFC shall dispose of its holding of stock of EFI, as promptly as practicable, in the event that EFI should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by MGIFC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

The Board's consent is given with the additional condition that neither EFI nor any subsidiary will maintain any branch, agency, office, or representative in the United States and that EFI or any subsidiary, in issuing, underwriting, selling or distributing securities abroad, shall not engage or participage in the underwriting, sale or distribution of securities in the United States, and may not so engage or participate directly or indirectly or through an agency or on a commission or consignment basis or in any other manner.

If a security issue is being sold or distributed partly in and partly outside the United States, EFI or any subsidiary may not underwrite, even on a standby basis, that portion being sold or distributed in the United States (no matter by whom it is being so sold or distributed.)

It is understood that EFI will not engage in the business of receiving or paying out deposits, or accepting drafts or bills of exchange, and the Board's consent is given subject to this further condition.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 4
1/31/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963

Board of Directors,
Union Trust Company of Ellsworth,
Ellsworth, Maine.

Gentlemen:

The Board of Governors has approved an extension until January 24, 1964, of the time within which Union Trust Company of Ellsworth may establish a branch at Outer High Street, Ellsworth, Maine. The establishment of this branch was authorized in a letter dated January 24, 1962.

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
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963

Board of Directors,
The Central Trust Company,
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 1, 1963, the time within which The Central Trust Company, Cincinnati, Ohio, may establish a branch at 3300 Central Parkway, Cincinnati, Ohio, under authority granted in the Board's letter dated January 24, 1962.

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. 6
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963

Mr. Max G. Brooks, President,
The Central Bank and Trust Co.,
Denver, Colorado.

Dear Mr. Brooks:

This refers to your letter of January 16, 1963, addressed to Mr. L. F. Mills, Vice President of the Federal Reserve Bank in Kansas City, in which you requested that a public hearing be held on the application of Denver U.S. Bancorporation for permission to become a bank holding company. You requested that if a public hearing is denied, you be permitted to file a written objection to the application, although the thirty-day period for filing written comments has expired.

If you wish to file a statement setting forth your objections, it will be considered by the Board not only in connection with your request for a public proceeding in the matter, but also in reaching a decision on the application. In view of the time that has already elapsed, any such statement should be received by the Board not later than ten days from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 7
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963.

Dear Sir:

The Board recently considered the question whether savings deposits that have been on deposit in another bank for a period of at least 12 months and which are acquired by a member bank through assumption of liability must remain on deposit for an additional 12 months in order to receive interest at the maximum 4 per cent rate.

Although the words "any savings deposit that has remained on deposit," as contained in the Supplement to Regulation Q (section 217.6), contemplate that normally this means a deposit in the same bank, the Board is of the opinion that in cases where a member bank takes over another bank by merger, consolidation, or purchase of assets, savings accounts in such other bank may be treated as having been on deposit in the resulting bank for the time they were on deposit in the absorbed bank.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 8
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963

AIR MAIL

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Ellis:

This refers to Mr. Stone's letter of January 14, 1963, transmitting a request by Indian Head National Bank of Nashua, New Hampshire, for a ruling with respect to the payment of interest on funds represented by "savings shares" to be acquired by the bank as the result of the purchase of assets and assumption of liabilities of Claremont Co-operative Bank. The national bank wishes to know whether it may immediately pay interest at the maximum 4 per cent rate on funds that have been on "deposit" in the other bank for a period of at least 12 months.

Reference to the New Hampshire Statutes, cited by Mr. Stone, reveals that Claremont Co-operative Bank is actually a building and loan association. Also, it is noted that the cover of the pass book in which payments on these shares are recorded indicates that the accounts are insured by the Federal Savings and Loan Insurance Corporation. Therefore, it would appear that a new type of relationship will be created and that there was no "deposit", in the usual definition of that term, existing before the national bank took over these accounts. This would seem to suggest the conclusion that a new contract is created and that the national bank could not pay interest at 4 per cent until 12 months have elapsed.

It is believed, however, that the position of the customer is entitled to some consideration. Through no action on his part he would find his funds transferred to another institution. As the customer has been receiving currently dividends at 4 per cent, he could logically reason that a similar rate of return would be due him on the same funds without waiting 12 months. Furthermore, the

Supplement to Regulation Q (section 217.6), provides that the 4 per cent rate may be paid "on that portion of any savings deposit that has remained on deposit for not less than 12 months". In the circumstances of this particular case, the Board will not object to the bank, as successor institution, paying interest at the rate of 4 per cent per annum on amounts that are continued on its books as savings accounts without waiting an additional 12 months before interest at that rate may be paid.

Very truly yours,

Merritt Sherman,
Secretary.

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

Item No. 9
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 31, 1963.

Martin P. Snyder, Esq.,
Morgan, Lewis & Bockius,
Counselors at Law,
2107 Fidelity-Philadelphia Trust Building,
Philadelphia 9, Pennsylvania.

Dear Mr. Snyder:

This refers to a series of communications from your client, the Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, and from your firm, which the Board has considered in connection with the application for the Board's consent to the merger of The First National Bank of Mount Holly Springs into Dauphin Deposit, and with the request for reconsideration of the Board's denial, dated July 13, 1962, of that application. These communications include the original application filed with the Board on April 13, 1962, supplemental information in support of that application which was supplied in response to a request made by the Board in May 1962, your letter of September 28, 1962, requesting reconsideration of the denial and opportunity for oral presentation, and the information supplementing that request sent on November 27, 1962, in response to a letter from the Board of October 24, 1962.

The information and views presented in support of the request for reconsideration and for oral presentation have been carefully considered. However, in the Board's judgment such information and views do not differ essentially from those contained in the original application by Dauphin Deposit for the Board's approval of the merger. It does not appear to the Board that there has been submitted to it significant information not previously presented in this case, and the Board has concluded that neither reconsideration nor oral presentation in reference to its prior action on this application would be appropriate. Accordingly the Board denies your requests.

In view of your representation in this case separate notification of the Board's action has not been sent to either of the banks involved in the application.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 10
1/31/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 1, 1963.

Mr. Harold Seidman,
Acting Assistant Director for
Management and Organization,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Seidman:

This is in response to the request contained in your letter of December 6, 1962, asking for comments or suggestions on the Federal Employee Parking and Transportation Survey Report submitted by the General Services Administration.

As the Report indicates, the parking problem in downtown Washington is becoming increasingly critical, and measures to alleviate the situation, particularly plans for improved mass transit, merit serious consideration. The Board itself, because it is a small organization, has not been faced with a problem in this respect. When the Board's building was constructed in 1937 pursuant to special authorization of Congress, provision was made for the parking requirements of its members and employees, and the facilities provided for this purpose are still reasonably adequate.

It has not been necessary for the members of the Federal Reserve organization to use the streets for parking in the past, and there is no likelihood that such a need will develop in the future. In this connection, section 10 of the Federal Reserve Act clearly indicates the intent of Congress that the Board shall have "sole control" of its building and the space therein; and the Board believes that, in view of the nature of its functions, this principle should be preserved. In the circumstances, the Board does not believe that representation of this organization on the Interagency Advisory Committee for Federal Employee Parking would serve any useful purpose.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.