

Minutes of the Board of Governors of the Federal Reserve System on
 Tuesday, June 27, 1961. The Board met in the Board Room at 11:15 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Miss Carmichael, Assistant Secretary
 Mr. Noyes, Director, Division of Research
 and Statistics
 Mr. Solomon, Director, Division of
 Examinations
 Mr. Hexter, Assistant General Counsel
 Mr. Eckert, Chief, Banking Section,
 Division of Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on June 26, 1961, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Request of Justice Department regarding banks reporting in business loan survey (Item No. 1). Pursuant to the understanding at the Board meeting on June 26, 1961, there had been distributed to the members of the Board a revised draft of letter replying to the request of the Department of Justice for a list of the 1,900 banks which submitted reports in the 1955 business loan survey or, as an alternative, an indication as to which of 43 banks listed in its letter had submitted reports in that survey.

After a number of changes in wording had been suggested and agreed upon, unanimous approval was given to a letter in the form attached as Item No. 1.

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Messrs. Noyes and Eckert then withdrew from the meeting.

Administrative Conference of the United States (Item No. 2). On June 1, 1961, the Board approved the designation of Mr. Chase, Assistant General Counsel, as a member of the Administrative Conference of the United States, which was created pursuant to Executive Order 10934 of April 13, 1961, to assist the President, the Congress, and the administrative agencies and executive departments in improving existing administrative procedures. In a letter to the Board dated June 21, 1961, the Executive Secretary of the Conference requested that \$1,000 be provided "from appropriated funds of your agency for the fiscal year 1961" and a like amount for fiscal 1962 to assist in meeting expenses of the Conference "until such time as the 1962 fiscal needs of the Conference can be determined".

There had been distributed with a covering memorandum from the Legal Division dated June 23, 1961, a draft of reply indicating that although the Board does not operate with appropriated moneys, as a participating agency it would provide the funds requested for the work of the Conference.

After certain changes in the wording of the proposed reply were suggested and agreed upon, a letter enclosing the Board's check for \$1,000 was approved unanimously, with the understanding that a like amount would be furnished in fiscal year 1962. A copy of the letter is attached as Item No. 2. This approval also constituted authorization of an overexpenditure in the 1961 budget of the Legal Division to cover this item of \$2,000.

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Messrs. Solomon and Hexter then withdrew from the meeting.

OEEC working group on economic growth. Governor Shepardson referred to a memorandum dated June 26, 1961, in which Mr. Young, Adviser to the Board and Director of the Division of International Finance, recommended that John E. Reynolds, Economist in the Division of International Finance, be designated as a member of the United States delegation to meetings of the working group established by the Economic Policy Committee of the Organization for European Economic Cooperation to study the economic growth of member countries in preparation for the first meeting of the Economic Policy Committee under the new Organization for Economic Cooperation and Development.

After a brief discussion, the designation of Mr. Reynolds was approved unanimously. Accordingly, Mr. Reynolds was authorized to attend the next meeting of the working group, scheduled to be held in Paris July 21-22, 1961, as well as any subsequent meetings of the group, and payment of his expenses incident to attendance at such meetings also was authorized.

The meeting then adjourned.

Secretary's Notes: At 10:00 a.m. the members of the Board who were present at today's Board meeting heard an oral presentation regarding the application of Marine Midland Trust Company of Southern New York, Elmira, New York, to merge with First National Bank and Trust Company of Ithaca, Ithaca, New York, which was denied by the Board on March 27, 1961. A stenographic transcript has been placed in the Board's files.

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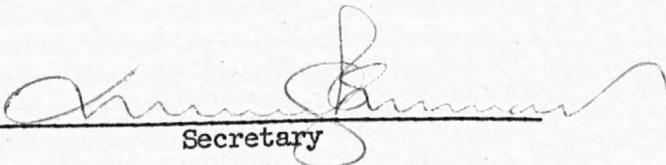
Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics recommending acceptance of the resignation of Wilma Jean Brand, Technical Editor, Division of Research and Statistics, effective July 8, 1961.

Letter to the Federal Reserve Bank of New York (attached Item No. 3) approving the appointment of Lester G. Graf, James B. Hart, Paul W. Lofberg, Robert A. Rough, and John J. Strick as assistant examiners.

Telegram to the Federal Reserve Bank of Minneapolis (attached Item No. 4) approving the appointment of James A. Nichols as assistant examiner.

Governor Shepardson today noted on behalf of the Board that application for retirement had been filed by Sven E. Johnson, Inspector-Foreman, Division of Administrative Services, effective at the close of business June 30, 1961.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
6/27/61

OFFICE OF THE CHAIRMAN

June 28, 1961

The Honorable Lee Loevinger,
Assistant Attorney General,
Department of Justice,
Washington 25, D. C.

Dear Judge Loevinger:

This is in reply to your letter of June 6, in which you request a list of the 1900 banks which submitted reports in the 1955 Business Loan Survey, or as an alternative, an indication as to which of the 43 banks listed in your letter submitted reports in that Survey. Your letter further states that some of the data related to the Survey appear to be of use to the Department in its activities concerning bank mergers, and that the information requested would aid in deciding whether or not to seek further information concerning the Survey.

The Board has given your request most careful consideration, and desires to cooperate in any way it can with the Department in carrying out its statutory responsibilities. However, the present request raises a serious question concerning possible jeopardy to the System's future ability to conduct studies of this character and to gather and publish a vast array of banking data of great value to the work of the Board, to other Government agencies, and to the public generally, not to mention the even more essential question of a possible breach of faith through violation of an implied commitment.

The Federal Reserve System's statistical surveys and current statistical reporting series are conducted on a voluntary basis. Bank participation in all cases has been unusually high. We believe that our success in securing such a high degree of voluntary participation rests in large measure on a strict observance by the Board of assurances regarding confidentiality given to respondents.

It may assist you, in appraising the usefulness of a direct request by the Justice Department to banks for copies of their 1955 response, to know that of the 43 banks listed in your letter, 22 responded. As you can appreciate, the reliability of data obtained from

The Honorable Lee Loevinger

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a scientifically selected sample of banks as representative of conditions among banks generally is greatly influenced by the level of the response of banks in the sample in providing the requested information. We are, therefore, most anxious to avoid any breach in confidentiality that might jeopardize bank cooperation in special surveys or continuation of the established programs of voluntary current reporting of banking statistics. The Board strongly urges that in communicating with banks in the course of its investigations, the Department avoid reference, directly or indirectly, to a bank's participation in the 1955 Survey or other Federal Reserve statistical surveys.

We should also call your attention to the questionable value of the reports filed in that Survey as indicators of the composition of business loan portfolios of individual banks. The Survey was designed to provide reliable estimates of outstanding business loans on a national basis. Each respondent with deposits above \$10 million supplied information for only a small sample of individual loans, randomly selected. While this provides statistically reliable estimates for all member banks, generalizations about an individual bank's operations based on these samples could be grossly misleading. For the above reasons, the Board must respectfully decline your request.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 2
6/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 27, 1961.

Mr. Webster P. Maxson, Executive Secretary,
Administrative Conference of the United States,
Office of Administrative Procedure,
Department of Justice,
Washington 25, D. C.

Dear Mr. Maxson:

Receipt is acknowledged of your letter of June 21, 1961, asking that the Board of Governors provide \$1,000 "from appropriated funds of your agency for the fiscal year 1961" and a like amount for fiscal 1962 to assist in meeting expenses of the Administrative Conference of the United States, established pursuant to Executive Order 10934 of April 13, 1961.

The Board of Governors does not operate with appropriated moneys. However, since the Board is participating in the Conference and has designated a member of its staff to be a member of the Conference, the Board is enclosing its check in the amount of \$1,000 for credit to the special account, as requested in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 3
6/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961



CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of June 21, 1961, the Board approves the appointment of the following as assistant examiners for the Federal Reserve Bank of New York:

James B. Hart
Paul W. Lofberg

Robert A. Rough
John J. Strick

Lester G. Graf

Please advise us of the effective dates of the appointments.

It is noted that Mr. Graf owns one share of stock of Dunkirk Trust Company, Dunkirk, New York, a State member bank, which he will dispose of prior to employment, if possible, or shortly thereafter. It is understood, of course, that the Board's approval of the appointment of Mr. Graf is given with the understanding that he will not participate in any examination of Dunkirk Trust Company so long as he owns stock of that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICEItem No. 4
6/27/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

June 28, 1961

DEMING -- MINNEAPOLIS

Reurlet June 22, 1961, Board approves appointment of James A. Nichols as assistant examiner for Federal Reserve Bank of Minneapolis. Please advise effective date of appointment.

(Signed) Elizabeth L. Carmichael

CARMICHAEL