

Minutes for December 28, 1961

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

RM

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CBB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on
Thursday, December 28, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and
Statistics
Mr. O'Connell, Assistant General Counsel
Mr. Furth, Adviser, Division of International
Finance
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Spencer, General Assistant, Office of the
Secretary

Items distributed to the Board. The following items, which had
been distributed to the members of the Board and copies of which are
attached to these minutes under the respective item numbers indicated,
were approved unanimously:

	<u>Item No.</u>
Letter to Bank of America, New York, New York, extending the time within which a proposed agency of Banca d'America e d'Italia in Trieste may be opened.	1
Letter to Virgin Islands National Bank, Charlotte Amalie, St. Thomas, Virgin Islands, granting con- sent to the purchase of shares of a corporation to be organized for the purpose of holding the banking premises of Virgin Islands National Bank.	2

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As approved, Item No. 2 was in a form more condensed than the draft of letter originally distributed, reflecting a suggestion by Mr. Goodman in which the Board concurred. Prior to approval of the item, Mr. Goodman recited in some detail, in response to questions raised by Governor Mills, the nature of the proposed transaction and reasons why, despite some reservations, he had come to the conclusion that favorable action on the request could be recommended.

Messrs. Furth and Goodman withdrew from the meeting at this point.

Report on competitive factors (Worcester, Massachusetts). A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of Industrial City Bank and Trust Company, Worcester, Massachusetts, and Industrial City Bank and Banking Company, Worcester, Massachusetts, had been distributed with a memorandum from the Division of Examinations dated December 21, 1961. The conclusion in the report read as follows:

The proposed consolidation is being effected in order to convert an industrial bank, with limited powers, to a trust company with general banking powers. The effect of such consolidation would probably be beneficial as it would permit the smallest commercial bank in the area to compete more effectively with larger banks.

The report was approved unanimously for transmittal to the Corporation.

Application of Marine Corporation (Item No. 3). On October 2, 1961, the Board issued an order approving the application of The Marine

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Corporation, Milwaukee, Wisconsin, to acquire 80 per cent or more of the voting shares of Wisconsin State Bank, Milwaukee, Wisconsin. There had now been transmitted to the Board through the Federal Reserve Bank of Chicago a request by Marine Corporation for an extension of time to January 31, 1962, in which to acquire such shares.

Following an explanation by Mr. O'Connell of the reason for the request, the extension of time was approved unanimously. A copy of the letter sent to the Federal Reserve Bank of Chicago in implementation of this action is attached to these minutes as Item No. 3.

Request for department store sales figures. Mr. Noyes reported that he had received a telephone call from the Federal Reserve Bank of Chicago advising that that Bank had been requested by the Department of Justice to furnish aggregate departmental sales figures, in dollars, for department stores in Milwaukee, Wisconsin. From information available, it appeared that the Justice Department either had a suit pending, or contemplated one, seeking to block a merger of two large department stores in Milwaukee on the ground that such merger would be "in restraint of trade." The Department apparently already had dollar departmental figures for the two merging stores; evidently it wanted the figures for all stores in order to show that the two merging stores, combined, represented a preponderance of the sales of various types of merchandise.

In further comments, Mr. Noyes pointed out that department store sales releases issued by the Federal Reserve based on sample stores in

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selected cities, show sales in various departments, whether up or down, on a percentage basis compared with the preceding year. In this particular case, it was felt that reasonably accurate dollar figures could be provided. In many instances, however, the city figures would be less reliable. If the requested information should be released to the Department of Justice, this might lead to similar requests in the future.

In discussion, Governor Mills inquired whether the department store sales data were not furnished to the Federal Reserve on a confidential basis, to which Mr. Noyes replied that there was an understanding with the reporting stores that the dollar figures supplied by the individual stores would be kept confidential.

Governor Mills then referred to a recent Supreme Court decision involving the St. Regis Paper Company, in which the Court upheld a stand by the Census Bureau against revealing certain information supplied to it in confidence. He felt that the supplying of dollar departmental sales figures to the Justice Department, as requested, would go beyond the scope of proper cooperation with a department of the Government, and that the furnishing of such figures would come close to contradicting a Supreme Court decision.

Mr. Hackley commented that he was not entirely familiar with the decision cited by Governor Mills. He was not sure, however, that the decision would be entirely conclusive in a matter that appeared to

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involve a question of policy under the Board's Rules of Procedure. The question was one of weighing the confidentiality of information submitted to the Board against the public interest involved in cooperating with another Government agency, as permitted under the Rules of Procedure, by supplying information that would help that agency to discharge its duties under the law. Mr. Hackley indicated that the Legal Division would study the Court decision to which Governor Mills had referred.

Governor Robertson said that he would favor furnishing the requested information to the Justice Department. It seemed to him that this was information that a Government agency wanted to use in the conduct of its official business, and that the furnishing of it could do no harm to any department store or violate any confidential relationship.

Further discussion related principally to a question raised by Governors Balderston and Shepardson, and referred to earlier by Governor Mills, as to whether the furnishing of dollar departmental sales figures would in effect reveal the sales of individual stores, aside from those involved in the merger, at least in some instances. Until evidence could be obtained as to whether or not this would be the result, Governors Balderston and Shepardson did not feel that they had sufficient information to decide whether they would favor furnishing the Justice Department the information requested.

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Accordingly, it was understood that Mr. Noyes would communicate with the Federal Reserve Bank of Chicago to obtain additional information, and that the matter would then be brought back to the Board for further consideration.

All members of the staff then withdrew and the Board went into executive session.

Following the meeting, the Secretary was informed by Governor Shepardson that during the executive session the Board accepted a request from Jerome W. Shay that his resignation as Legislative Counsel, to be effective at the close of business December 28, 1961, be withdrawn. Governor Shepardson also informed the Secretary that the Board had appointed Mr. Shay Assistant General Counsel in the Legal Division, effective upon the assumption of his duties in that position, which action constituted approval of an additional position of Assistant General Counsel, not provided for in the 1962 budget of the Legal Division.

The meeting then adjourned.

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

Letter to Dr. Frederic D. Chapman confirming arrangements for the annual physical examination of all employees in the Board's cafeteria, a fee of \$125 to be paid upon completion of the examinations.

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

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Appointments

Nancy H. Teeters as Economist, Division of Research and Statistics, on a half-time basis with basic annual salary at the rate (full-time basis) of \$8,340, effective the date of entrance upon duty. (The establishment of this additional position of Economist in the Division of Research and Statistics was also approved.)

John Albert Treimann as Assistant Federal Reserve Examiner in the Division of Examinations, with basic annual salary at the rate of \$8,080, effective the date of entrance upon duty.

Salary increases, effective January 7, 1962

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Gertrude E. Booth, Secretary		\$ 4,345	\$ 4,510
<u>Research and Statistics</u>			
Anita E. Perrin, Secretary		5,655	5,820
<u>International Finance</u>			
Esther G. Crews, Supervisor, Administrative Staff		6,345	6,675
<u>Examinations</u>			
Richard B. Friedman, Assistant Federal Reserve Examiner		6,435	6,600
Jerome T. Kelley, Senior Federal Reserve Examiner		13,250	13,510
Peggy Jo Powles, Special Assistant Federal Reserve Examiner		4,040	4,145
Louis W. Zidek, Federal Reserve Examiner		8,955	9,215
<u>Administrative Services</u>			
Garland R. Gaines, Messenger		3,605	3,710
Valeria Faina, Charwoman		3,815	3,920
Catherine Gallagher, Charwoman		3,815	3,920

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Acceptance of resignation

Virginia C. Westmoreland, Special Assistant Federal Reserve Examiner, Division of Examinations, effective at the close of business December 31, 1961.

Memoranda from appropriate individuals concerned recommending merit increases for the following persons on the Board's staff, effective January 7, 1962:

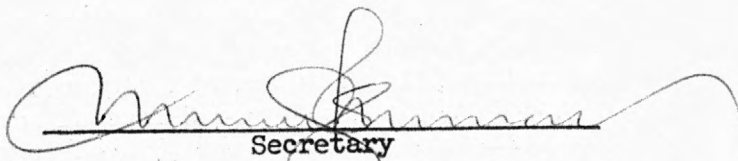
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
W. Sutton Potter, Senior Attorney		\$ 7,820	\$ 8,080
Judy D. Taylor, Stenographer		4,145	4,250
Barton Veret, Attorney		6,435	6,600
	<u>Research and Statistics</u>		
Stephen Axilrod, Economist		12,210	12,470
Ann Clary, Librarian		5,850	6,015
Maynard Comiez, Economist		7,820	8,080
Eleanor Frase, Economist		12,730	12,990
Nancy Harcourt, Secretary		4,675	4,840
Marjorie Hollingshead, Clerk-Stenographer		4,145	4,250
Richard Pickering, Economist		9,215	9,475
Betty Schieman, Statistical Assistant		4,510	4,675
	<u>International Finance</u>		
Frederick R. Dahl, Economist		11,155	11,415
Yves Maroni, Economist		12,210	12,730
	<u>Examinations</u>		
Patricia D'Ambrosio, Secretary		4,675	4,840
Peggy Jo Powles, Special Assistant Federal Reserve Examiner		4,145	4,250
Susan Rowzie, Secretary		4,675	4,840
James R. Smith, Assistant Review Examiner		6,600	6,765

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Merit salary increases, effective January 7, 1962 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
Elizabeth I. Dietrich, Statistical Clerk		\$4,250	\$4,355
James A. McIntosh, Data Processing Analyst		7,560	7,820
<u>Administrative Services</u>			
Charles P. Brown, Messenger		3,605	3,710
Willa McC. Davis, Clerk-Stenographer		4,460	4,565
Edward D. Rogers, Messenger		3,290	3,395



Secretary

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

Item No. 1
12/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1961



Mr. Tom B. Coughran,
Executive Vice President,
Bank of America,
41 Broad Street,
New York 15, New York.

Dear Mr. Coughran:

This will acknowledge receipt of your letter of December 14, 1961, transmitted through the Federal Reserve Bank of New York, referring to the Board's letter of May 20, 1960 granting consent to the establishment by Banca d'America e d'Italia ("BAI"), Milan, Italy, of various agencies including a proposed agency in Trieste-Via Belpoggio corner Via Grumula and the letter of August 21, 1961, extending to January 1, 1962, the time within which the Trieste agency may be opened.

It is noted that BAI has informed you that work on the Trieste agency's new premises is progressing slowly and that it does not appear the agency can be opened before the early spring of 1962.

In the circumstances and in accordance with your request, the Board of Governors extends to April 30, 1962, the time within which the Trieste-Via Belpoggio corner Via Grumula agency may be opened.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
12/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1961



Virgin Islands National Bank,
Charlotte Amalie, St. Thomas,
Virgin Islands.

Gentlemen:

Reference is made to a letter dated October 31, 1961, together with enclosures, from Mr. William L. Day, Chairman, The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, requesting on behalf of Virgin Islands National Bank ("VINB") that the Board of Governors grant consent, under agreement made pursuant to the provisions of Section 25 of the Federal Reserve Act, to the exercise by Virgin Islands National Bank of its powers as a national bank under Section 24A of the Federal Reserve Act to invest in the capital stock of a corporation [VinBank Realty Company ("VBRC")] holding the banking premises of VINB, with the consent of the Comptroller of the Currency.

It is noted that VINB owns two buildings which it occupies, in whole or in part, for banking purposes; that the main office of VINB is carried at \$1; and that the Christiansted office is carried at about \$340,000, representing construction costs and land acquisition costs. Since VINB's capital stock is \$335,000, it is noted that VINB's investment in the Christiansted office, without the approval of the Comptroller of the Currency, is in violation of Section 24A of the Federal Reserve Act, and that VINB has been given notice of this violation.

In a telegram dated November 7, 1961 addressed to Vice President Campbell of the Federal Reserve Bank of Philadelphia, President Bornn of VINB advised that the application made by First Pennsylvania Banking and Trust Company regarding VBRC was authorized on behalf of VINB.

The Board of Governors has been furnished with copies of letters dated November 24, 1961 and December 7, 1961 which Deputy Comptroller of the Currency W. M. Taylor has addressed to Mr. Harry E. Sprogell of Counsel for VINB. It is noted that the Office of the Comptroller of the Currency feels that an investment in the stock of VBRC in any amount exceeding the present book value of the head office would be tantamount to a write up of fixed assets; that the Office would prefer that VINB own the properties outright; but that the Office will not object to the proposal provided the stock of VBRC is carried at \$1.

Virgin Islands National Bank -2-

In view of the position of the Office of the Comptroller of the Currency and on the basis of information furnished by Chairman Day of First Pennsylvania on behalf of VINB, the Board of Governors grants consent to the purchase by Virgin Islands National Bank of all the shares of a corporation to be organized under the laws of Delaware for the sole purpose of holding the banking premises of VINB and to be known as VinBank Realty Company; provided, that the transaction is consummated within six months from the date of this letter; that the stock of the VBRC is not carried at a net amount in excess of \$1; and that the banking premises are leased back to VINB at a rental not to exceed approximately \$40,000 per annum.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the realty company has been organized and furnish copies of the charter or articles of association and by-laws, together with a list of the directors and officers.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
12/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 28, 1961

Mr. Hugh J. Helmer, Vice President,
General Counsel and Secretary,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

This refers to your letter of December 21, 1961, transmitting for the Board's consideration a request by The Marine Corporation, Milwaukee, Wisconsin, for an extension of time to January 31, 1962, within which the Corporation may acquire 80 per cent or more of the outstanding voting shares of Wisconsin State Bank, Milwaukee, approval of which acquisition was given by the Board on October 2, 1961. It is noted that your Bank recommended favorable consideration of this request.

Confirming oral advice transmitted this date by Mr. Andrew Thompson of the Board's staff, the Board has granted The Marine Corporation's request. It will be appreciated if you will advise The Marine Corporation of the Board's action and request that your Bank be informed of the date upon which the acquisition is accomplished.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

