The attached minutes of the Board of Governors of the Federal Reserve System on February 7, 1962, which you have previously initialed, have been amended at the request of Governor Balderston to revise the first full paragraph on page 7.

If you approve the minutes as amended, please initial below.

Chairman Martin

Governor Mills _

Governor Robertson

Minutes for February 7, 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

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, February 7, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Balderston, Vice Chairman

Mr. Mills Mr. Robertson Mr. Shepardson

Mr. King

Mr. Sherman, Secretary

Mr. Kenyon, Assistant Secretary

Mr. Molony, Assistant to the Board

Mr. Fauver, Assistant to the Board

Mr. Hackley, General Counsel

Mr. Solomon, Director, Division of Examinations

Mr. O'Connell, Assistant General Counsel

Mr. Leavitt, Assistant Director, Division of Examinations

Mr. Spencer, General Assistant, Office of the Secretary

Mr. Lyon, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on February 5, 1962, 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.

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

Item No.

Letter to Chemical Bank New York Trust Company, New York, New York, approving an extension of time to establish a branch at 1900 Ralph Avenue, Borough of Brooklyn. 1

Item No.

2

Letter to Marine Midland Trust Company of the Mohawk Valley, Utica, New York, approving the establishment of a branch in Store No. 1, Campus Shopping Center, Champlin Road, Town of Whitestown (Unincorporated Area), Oneida County.

Matters relating to oral presentations. Mr. O'Connell made reference to the letter of January 22, 1962, from the Comptroller of the Currency in which the Comptroller had recommended against Board approval of certain pending or prospective merger and holding company applications of The Chase Manhattan Bank, Chemical Bank New York Trust Company, Morgan New York State Corporation, and Marine Midland Corporation. Apparently, he said, at the time the Comptroller sent his letter to the Board, copies were also made available to the applicants. Subsequently, letters from Morgan and Chemical were received commenting upon the views expressed in the Comptroller's letter. (Chemical sent to the Board a copy of a letter written to the Comptroller.) The reply of Chase was in the form of an inclusion in the brief supplementing its oral presentation on January 19, 1962, so that it automatically became part of the public record. However, the replies from Morgan and Chemical were technically unpublished information. It was now recommended that those replies be made part of the public record; neither the banks involved nor the Comptroller's Office had expressed objection to that being done.

There being no objection to Mr. O'Connell's recommendation, it was <u>understood</u> that the letters of Chemical Bank New York Trust Company and Morgan New York State Corporation would become part of the public record in the respective cases, along with the Comptroller's letter of January 22, 1962.

Mr. O'Connell also said that minor errors had been noted in the transcripts of certain recent oral presentations before the Board, including the presentations concerning the applications of Chase Manhattan, Chemical Bank, Whitney Holding Corporation, and United California Bank. In that connection, he requested authorization to prepare errata sheets that would become part of the official records, with notification to counsel for the respective applicants. There being agreement with this recommendation, it was <u>understood</u> that the suggested errata sheets would be prepared and filed with the official documents.

Messrs. O'Connell, Leavitt, and Lyon then withdrew from the meeting.

Policy record. At the Chairman's request, Mr. Sherman commented on the status of work on the 1961 policy records of the Board and the Federal Open Market Committee, which, after approval by the Board, would be included in the Board's Annual Report.

Pending merger and holding company cases. In response to a request from Governor Mills, Messrs. Solomon and Hackley reported on

the status of staff work on major pending bank holding company and bank merger applications.

Travel authorization for Messrs. Young and Wood. Upon recommendation by Governor Shepardson, the Board <u>authorized</u> travel to Paris, France, by Ralph A. Young, Adviser to the Board and Director, Division of International Finance, and Ralph C. Wood, Associate Adviser in that Division, to attend meetings of Working Party 3 and the Economic Policy Committee of the Organization for Economic Cooperation and Development on February 19-20 and February 21-22, 1962, respectively, with the understanding that Messrs. Young and Wood would be reimbursed on an actual expense basis, including, in the case of Mr. Young, official entertainment.

Directors' Day program. There was a brief discussion of arrangements for the Directors' Day program to be held on March 15, 1962, at the conclusion of which it was agreed that Governor Shepardson would serve again this year as a member of the Board who would work with Mr. Fauver and other members of the staff in developing a program, and that Governor Mills also would serve in that capacity.

Study of dormant bank accounts. Governor Robertson reported that pursuant to the understanding at the meeting on January 31, 1962, he had attended a meeting on February 6, 1962, with Mr. Saxon, Comptroller of the Currency, and Mr. Cocke, Chairman of the Federal Deposit Insurance Corporation, to discuss the request of Congressman

Patman for certain information on dormant bank accounts. With the assistance of members of the Board's staff, he had previously prepared a form that he thought might be appropriate for obtaining such information. At the meeting Mr. Cocke expressed agreement with the use of such a form. Mr. Saxon, however, expressed a desire to talk first with Congressman Patman, indicating that he would be agreeable to participating in a survey only if institutions such as savings and loan associations and insurance companies were included along with banks. Governor Robertson said that he had indicated to the Comptroller that he would be agreeable to meeting again on the subject after the Comptroller had talked with Mr. Patman. The outcome of the matter was not entirely clear at this point, the Governor added. Among other things, one of Mr. Patman's questions, as it stood, would require banks to go back for an indefinite period in their records, which would seem to impose an undue burden upon them.

Governor Robertson also stated, in response to a question, that he had talked with the Comptroller about the possibility of arranging interagency meetings on absorption of exchange charges and on concentration of banking in California, but that the Comptroller was not yet prepared to enter into such meetings.

A hearing was held yesterday on the nomination of Mr. Saxon to become Comptroller of the Currency. (Mr. Saxon had been serving under a recess appointment.) During the hearing Mr. Saxon made certain comments on the burden of Reserve System membership, including reserve requirements, on smaller national banks, and the Chairman reported receipt of several telephone inquiries. Following a brief discussion, it was stated that the Legal Division was completing revision of a compilation of reserve requirements of the respective States, and it was understood that copies would be made available to the members of the Board for their information.

<u>investment company</u>. Chairman Martin reported that Chairman Briggs of the Federal Reserve Bank of Chicago had called concerning a question on which he (Mr. Briggs) would soon have to make a decision; namely, whether to serve as a director of a small business investment company. Mr. Briggs indicated that former President Allen, before leaving the Chicago Bank, had inquired about this matter and understood there was some difference of opinion within the Board. Chairman Martin said that he did not recall this question having been discussed; it may have arisen during the period last fall when he was out of the country.

Mr. Sherman referred to the minutes of September 22, 1961, noting that at the time the question came up none of the members of the Board were inclined to say that Mr. Briggs should not engage in the activity, that one view was that it would be desirable for him to do so,

and that, while some concern was expressed as to possible embarrassment if he did accept, this was a matter for Mr. Briggs to decide rather than one on which the Board should take a definite position one way or the other.

Governor Balderston recalled that Mr. Allen had phoned him.

After subsequent Board discussion, he had phoned to Mr. Allen that

Mr. Briggs should use his own judgment in deciding the matter.

Although the views of the Board members varied as to the appropriateness of such service, it was felt that the decision should be left to Mr.

Briggs.

Governor Robertson said it had been his view that small business investment companies were of such nature that Class C directors, who were prohibited from serving as commercial bank directors, should be precluded from serving as directors of such companies. He noted that some banks were using these companies to make loans that the bank itself did not want to make. In some cases, the officers of the bank were also officers of the small business investment company. However, as the minutes indicated, it had been the prevailing view that it would be all right for Chairman Briggs to make his own decision.

Governor Mills, who was not present at the Board meeting when the matter was discussed, said he believed it would be in order for Chairman Briggs to serve. If the small business investment company concerned was a subsidiary of a commercial bank, then he would think that the service of a Class C director as a director of the company should be precluded. However, the Federal Reserve had encouraged the organization of small business investment companies, and he thought there should be, in this instance, no prohibition against the service of Mr. Briggs, or even a suggestion that he should think twice about the matter.

Further discussion centered on the operations of small business investment companies and their development, including the distinction between those closely associated with commercial banks and those that were not. Governor Balderston expressed his understanding that in this case the company was well financed and organized and could be an asset to the community. In other cases, however, the situation might be different. Therefore, he felt that it might be better to proceed on an ad hoc basis than to lay down any rule of general application.

At the conclusion of further comments, it was <u>agreed</u>, Governor Robertson's view having been noted, that Chairman Martin would talk with Chairman Briggs in the light of today's discussion and the discussion on September 22, 1961, advising him generally to the effect that in the view of a majority of the Board the decision was one for him to make in his own judgment.

Open Market Committee minutes. Chairman Martin referred to the decision of the Federal Open Market Committee in July 1961 to comply with the request of Chairman Patman of the Joint Economic Committee that the minutes of the Committee for the year 1960 be made available for inspection. He expressed his understanding that a Committee staff document based on review of those minutes might be issued in the relatively near future, in which connection he raised for consideration, but not for decision at this time, whether under certain circumstances—and depending on developments—it might be advisable to make the Committee minutes for 1960 available for public inspection.

After some general discussion of this matter, the meeting adjourned.

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

Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following persons on the Board's staff, effective February 18, 1962:

Verna L. Hodge, Librarian, Division of Research and Statistics, from \$5,665 to \$5,830.

James E. Love, Laborer, Division of Administrative Services, from \$4,025 to \$4,130.

William R. Smith, Laborer, Division of Administrative Services, from \$4,025 to \$4,130.

Memorandum from the Division of Personnel Administration recommending the adoption of the following policy regarding the classification of secretarial positions:

1. That the minimum rate for hiring typists be established at Grade FR-3 and for stenographers at Grades FR-3

and FR-4, dependent upon test scores, etc.

2. That secretarial positions assigned to the Head of a Section be allocated at the Grade FR-5 level, with the understanding that this be restricted to individuals having at least two years of applicable experience, one year of which must have been at the Grade FR-4 level. High school graduation may be substituted for the other year of the required experience.

3. That the secretarial positions assigned to the levels of the following officials be allocated at the grades indicated: Assistant Division Head at FR-6; Division Head at FR-7; Advisers to the Board at FR-8; Legislative Counsel at FR-8; Assistants to the Board at FR-8 and FR-7; Members of the Board at FR-11; and Chairman of the Board at FR-11 plus

one step in grade.

Secretary



BOARD OF GOVERNORS

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1 2/7/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 7, 1962

Board of Directors, Chemical Bank New York Trust Company, New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System has approved an extension until August 16, 1962, of the time within which Chemical Bank New York Trust Company may establish a branch at 1900 Ralph Avenue, Borough of Brooklyn, New York, New York. The establishment of this branch was authorized in a letter dated February 16, 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.



BOARD OF GOVERNORS

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2 2/7/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 7, 1962

Board of Directors, Marine Midland Trust Company of the Mohawk Valley, Utica, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Marine Midland Trust Company of the Mohawk Valley, Utica, New York, of a branch in Store No. 1, Campus Shopping Center, Champlin Road, Town of Whitestown (Unincorporated Area), Oneida County, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.