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Minutes for February 12, 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.

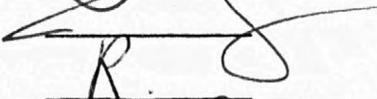
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

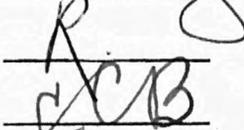
Chm. Martin



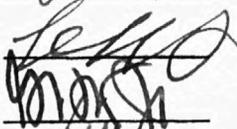
Gov. Mills



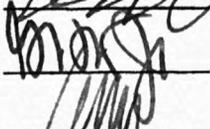
Gov. Robertson



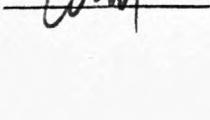
Gov. Balderston



Gov. Shepardson



Gov. King



Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System
on Monday, February 12, 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. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Landry, Assistant to the Secretary

Messrs. Noyes, Garfield, Holland, Koch,
Williams, Brill, Altmann, Eckert,
Freedman, Kalachek, Partee, Solomon,
and Weiner, and Miss Dingle of the
Division of Research and Statistics

Messrs. Young, Furth, Hersey, Sammons,
Katz, Gekker, Irvine, Maroni, Mills,
and Reynolds of the Division of
International Finance

Economic review. The Divisions of International Finance and
Research and Statistics presented a review of recent economic and
financial developments in selected foreign areas and in the United States.

Following this presentation all members of the staff withdrew
except Messrs. Sherman, Kenyon, Thomas, Fauver, Noyes, and Landry and
the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of
Examinations
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel

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Mr. Daniels, Assistant Director, Division
of Bank Operations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Stephenson, Special Assistant, Division
of Examinations
Mr. Achor, Review Examiner, Division of
Examinations
Mr. Fuerth, Attorney, Legal Division
Mr. Veret, Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on February 9, 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.

Circulated items. The following items, which had been circulated to 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 The Strafford National Bank of Dover, Dover, New Hampshire, approving its application for an additional fiduciary power.	1
Letter to Chemical Bank New York Trust Company, New York, New York, approving the operation of a limited-purpose branch at 30 Broad Street for a period of six months following the opening of its branch at 67 Broad Street.	2
Letter to Chester-Schroon-Horicon Bank, Chestertown, New York, approving the establishment of a seasonal branch at Schroon Lake.	3
Letter to The Vienna Trust Company, Vienna, Virginia, approving an extension of time within which to establish a branch at Maple Avenue and Berry Street.	4

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	<u>Item No.</u>
Letter to Putnam County Bank, Hurricane, West Virginia, approving an investment in bank premises.	5
Letter to First National Bank of Melbourne, Melbourne, Florida, approving its application for fiduciary powers.	6
Letter to National Bank of Sarasota, Sarasota, Florida, approving its application for fiduciary powers.	7
Letter to The Farmers and Merchants Bank of Vandalia, Vandalia, Illinois, approving an investment in bank premises.	8
Letter to the Federal Reserve Bank of St. Louis interposing no objection to the release of 1961 data contained in the statements "Borrowings from Federal Reserve Banks" (L.5.3 and L.5.4) for use in connection with the preparation of a doctoral dissertation.	9
Letter to Pacific State Bank, Hawthorne, California, approving (1) the establishment of a branch on 136th Street between Ramona Street and Hawthorne Boulevard, Hawthorne, and (2) an investment in bank premises.	10

Mr. Daniels then withdrew from the meeting.

Eligibility for membership of Bank of American Samoa. There had been circulated, with memoranda from the Legal Division and Mr. Solomon, a draft of letter to the Federal Reserve Bank of San Francisco replying to its letter of September 28, 1961, that presented the question of eligibility for membership in the Federal Reserve System of The Bank of American Samoa, Pago Pago, Tutuila, American Samoa. The draft letter would state the conclusion reached in the Legal Division's memorandum,

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dated January 29, 1962, that as a legal matter the bank could qualify for membership in the System under the 12th paragraph of section 19 of the Federal Reserve Act.

The San Francisco Reserve Bank had previously informed The Bank of American Samoa that when a State bank is admitted to membership it automatically acquires the benefits of deposit insurance, but that there was some question whether under existing provisions of the Federal Deposit Insurance Act a bank in Samoa could be covered by deposit insurance. Because of this situation and due to the fact that the bank was entirely owned by the Government, the bank was further advised that there was some doubt as to its eligibility for membership. As brought out in the Legal Division's memorandum, the Federal Deposit Insurance Corporation had tended to discourage an application for deposit insurance.

Mr. Solomon's memorandum, which was dated February 2, 1962, indicated that there would seem to be questions of policy involved in considering whether it would be desirable to admit Bank of American Samoa to membership in the System. Difficulties were cited that might arise from the fact that the institution was essentially an arm of the Department of the Interior; it might, in consequence, be difficult to exercise effective supervisory control over the bank. In view of these policy questions, addition of the following sentence to the last paragraph of the draft letter to the Federal Reserve Bank of San Francisco was recommended: "As there are substantial questions of

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policy as to whether or not it would be in the public interest for a bank such as The Bank of American Samoa to become a member of the Federal Reserve System, in the event the bank applied for membership, careful consideration would have to be given to these basic questions of policy."

Mr. Hackley stated that the Legal Division would have no objection to inclusion of the suggested sentence in the proposed letter to the San Francisco Reserve Bank.

Mr. Solomon then commented on his memorandum, following which the Chairman inquired as to the views of the Board members on the question.

Governor Mills observed that the inquiry seemed to constitute, in actuality, an exploration on the part of the Department of the Interior to see whether some kind of supervision could be arranged for the bank by one of the Government agencies having the capacity to render such service. He suggested, therefore, that it might be desirable for the staff to consult informally with the Interior Department to see if some plan could be worked out whereby Bank of American Samoa could be adequately supervised.

There ensued comments on the method of operation of the bank and the nature of the policy considerations referred to in Mr. Solomon's memorandum, following which it was decided not to send the proposed letter to the San Francisco Reserve Bank at this time. It was understood that the Division of Examinations would discuss the matter informally

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with the Interior Department, after which the question would be reconsidered by the Board.

Messrs. Noyes and Hooff withdrew from the meeting at this point.

Application of Bank of Idaho. Distribution had been made under date of February 1, 1962, of a memorandum from the Division of Examinations recommending favorably on an application by Bank of Idaho, Boise, Idaho, for permission to merge with The First National Bank of Bonners Ferry, Bonners Ferry, Idaho, and to establish a branch office incident to the merger. The Federal Reserve Bank of San Francisco had also made a favorable recommendation. The memorandum stated that the findings under each of the statutory factors required to be considered in bank merger applications were favorable, and the reports on competitive factors of the other Federal banking agencies and the Justice Department were not adverse. Not only would the merger provide a solution for certain asset problems of The First National Bank of Bonners Ferry, as well as for its management problem, but it would be a means of providing Bonners Ferry with improved banking services, all without detriment to competition.

In discussion of the application, Governor Mills stated that he would vote for approval. He believed, however, that it would be desirable for the statement accompanying the Board's order in this case to refer to the rate of expansion in the Pacific Northwest area of Western Bancorporation, owner of a majority of the stock of Bank of Idaho.

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Governor Robertson said that he would vote to approve the application on the basis that The First National Bank of Bonners Ferry was considered a problem bank and that the proposed merger would correct this situation. He did not believe that the other factors urged in support of the merger, including provision to the community of Bonners Ferry of improved banking services, weighed too heavily.

Governor Mitchell indicated that he favored approval of the application, although only for the reason stated by Governor Robertson.

The other members of the Board having indicated that they were also favorably inclined, the application was approved unanimously, with the understanding that an order and a statement would be drafted for the Board's consideration.

Mr. Thomas then withdrew from the meeting.

Reconsideration of application of United California Bank. On January 25, 1962, the Board received an oral presentation from representatives of the two banks concerned with respect to the application filed by United California Bank, Los Angeles, California, for consent to merge with The Southwest Bank, Inglewood, California. This proceeding followed the Board's action of September 26, 1961, denying the application, and the Board's action of October 20, 1961, denying a request for oral presentation. Under date of November 22, 1961, applicant renewed its petition for reconsideration and for oral presentation. On the basis of written statements in support of its

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renewed petition, the Board granted applicant an opportunity for oral presentation. The Board also requested an investigation by the San Francisco Reserve Bank to determine the degree of seriousness of Southwest Bank's management situation and to gain first-hand information regarding other points covered in the renewed petition. The Reserve Bank's report covering the investigation was submitted to the Board under date of January 23, 1962.

Under date of February 8, 1962, there had been distributed copies of a memorandum from the Division of Examinations commenting on the points covered in the Reserve Bank's report of investigation, namely, Southwest Bank's management situation, its competitive situation, competition between the two banks concerned, and the cumulative effect of this and other mergers of United California Bank upon other banks and the general competitive situation. The Division memorandum, which also commented on the material contained in the renewed petition, suggested that the principal questions involved in the application were whether Southwest Bank could obtain capable management and whether profitable operations could be maintained.

Asked by the Chairman to comment, Mr. Solomon noted that this was a difficult case. There appeared to be relatively little competition between the two banks involved in the application. With respect to the management factor, not only was there a management succession problem in the bank but there was a current management problem, which apparently

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was complicated by certain of the personalities involved. The State of California was dominated by large banks that could use and develop less experienced men in branch operations, whereas the situation was different for a small bank such as Southwest, and this might also have some bearing on the question whether Southwest could attract competent new management.

Mr. Leavitt added the comment that it was probably more difficult for a bank known to be "on the auction block" to get new management.

Commenting further on the case, Mr. Solomon pointed out that in spite of the difficulties portrayed at the oral presentation, Southwest had been gaining deposits. How much this was due to the bank's location was a matter of conjecture. Further, a substantial premium was involved in the merger proposal, tending to suggest that this might not be truly a distress case. However, a situation may be rather difficult from the standpoint of the seller and still be attractive from the standpoint of the buyer.

The Federal Reserve Bank continued to recommend approval, Mr. Solomon noted. If this were an original presentation, he and Mr. Leavitt would feel that approval was in order. On the other hand, the Board had already taken a position on this matter, and he would not want to suggest that the Board should reverse lightly positions it had previously taken. There should be good reason for overturning a decision. There was also the question, however, whether it was appropriate to say to Southwest that it must keep operating and obtain good management and that the management problem could not be solved by selling out.

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Mr. Achor said, in response to a question, that the information made available through the oral presentation had not changed his recommendation for disapproval of the application. He continued to believe that Southwest Bank was rendering an important service to the community. He did not believe that the management picture was as bad as had been portrayed. The bank had operated profitably and had attracted deposits; and the nearest other small bank in the general area was operating successfully (Pacific State Bank of Hawthorne). There was room for Southwest Bank with aggressive management, Mr. Achor felt. The bank could continue to provide service for that portion of the public that preferred to deal with a smaller bank.

There followed a general discussion of the competitive situation in the Inglewood area and of the premium involved in the proposed merger.

Governor Balderston then commented that two leading aspects of the application, to his way of thinking, were: (1) whether the community of Inglewood could be properly served by a bank run by nonprofessional bankers, and (2) the appearance that the owners of Southwest Bank were seeking to make a quick profit on a bank started only a relatively few years ago. A negative answer to the first question would incline him toward approval of the merger application, but a positive answer to the second question would incline him toward disapproval.

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At this point the Chairman called upon each member of the Board for his views on the question, starting with Governor Mills.

Governor Mills said that he believed the Board should reverse its position and approve the application. Leaving aside the management factor, which admittedly was deserving of close consideration, and focusing attention on the competitive factor, he referred to aerial photographs of the Inglewood area that were shown at the recent oral presentation. These showed the Southwest Bank's competitive area to be hemmed in by branches of large Southern California banks, providing only a limited opportunity for the smaller bank to expand. The nearby Pacific State Bank of Hawthorne had shown ability to compete with the larger banks in its own particular trade area, but Southwest Bank had failed to show that capacity under its present management. There was a question whether any competent executive would be interested in serving a bank whose directors were dissatisfied with their relationship to the bank and could offer little real incentive to an individual to identify himself with the bank. These factors, taken together, suggested to him that the merger application should be approved. To do otherwise would be to deny the owners of Southwest their wish to dispose of a property they had been unable to operate to their own satisfaction. Under present management, he would anticipate a deterioration of the property.

Governor Robertson said that he would vote to reaffirm the previous denial of the application on the basis that no additional

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information had been provided in the oral presentation to warrant a reversal of the Board's position. He felt that Southwest Bank could continue to operate satisfactorily; it had been profitable and had grown despite its management. Reaffirmation of the position taken previously by the Board would throw back to Southwest Bank the problem of getting adequate management to carry on operations in a profitable way.

Governor Shepardson said that he would vote to approve the application on the basis of the management problem of Southwest Bank. As he understood the situation, a group of businessmen interested in starting a local bank had organized Southwest. They did not know anything about banking, and the services of the individuals they obtained had not provided proper management for the bank, forcing the other directors at the expense of their own business interests to devote more time to the bank's management than had been originally contemplated. Now they wished to extricate themselves from this situation.

Governor King expressed himself as having a natural inclination to do whatever was possible to encourage independent banking in this country. It was too bad that cases like that of Southwest Bank occasionally developed; they illustrated the need to give careful consideration to applications before issuing charters. While it was unfortunate for the Board to reverse decisions, in this case it seemed to him that the owners of Southwest were in such a frame of mind that

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they were not going to contribute much to banking. Further, the situation in the area in question was such that a bank of this size would have a difficult time unless its ownership was strongly determined to make it a competitive unit. If this application was denied, there seemed little reason to believe that the bank would be a strong competitive unit. In these circumstances, and with considerable reluctance, he would change his original position and now vote to approve the application.

Governor Mitchell stated that he would vote to deny the application.

In his view the predicament of the stockholders of Southwest Bank was an issue of relatively minor significance. As he saw it, approval of the application would, in effect, be saying that the Board was convinced that an independent bank could not compete in a metropolitan area like Los Angeles. He did not feel that the Board had in this case been presented with sufficient evidence to answer the question, and in the absence of such evidence he would like to see independent banking preserved. Although his mind was not closed on the question, for the time being he would prefer to maintain the status quo. Southwest's record indicated that it had competed and could compete. It had operated profitably, and he thought it could continue to do so.

Governor Balderston said that he would vote to approve the application. Despite his concern that branch banking had already expanded so far in California that the local independent banks may have

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passed the point of no return in respect to their ability to attract and keep competent management, the nub of this particular case was, in his opinion, the banking service that the community would obtain.

Chairman Martin said that he also would vote to approve the application. He believed that an independent bank could compete, but only if it wanted to compete. In this case the independent bank did not appear willing to try, and he believed that in an instance of this kind the Board had some obligation to the public interest, which would not appear to be fostered by letting Southwest continue in operation under the present management. He noted that he had not participated in the original decision.

Accordingly, the application of United California Bank was approved, Governors Robertson and Mitchell dissenting.

Mr. Hackley commented that no order or statement had been prepared when the application was originally denied by the Board on September 26, 1961. However, pursuant to the revised procedure adopted by the Board since that time, and inasmuch as the decision had been changed from denial to approval, it would seem appropriate that an order and statement reflecting the decision be issued. There being agreement with Mr. Hackley's view, it was understood that an order and statement would be prepared for consideration by the Board, along with a dissenting statement or statements.

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The meeting then recessed and reconvened at 2:30 p.m. at which time all of the members of the Board except Chairman Martin were present, along with Messrs. Sherman, Kenyon, Thomas, Young, Fauver, Cardon, Hackley, Noyes, and Furth of the staff.

System foreign currency operations. Attention was called to the set of documents relating to the proposed program of System foreign currency operations that had been transmitted to the Federal Open Market Committee with a memorandum dated February 9, 1962, from Mr. Young as Secretary of the Committee. The first of these documents was a proposed action (authorization) of the Open Market Committee regarding open market transactions in foreign currencies, in form reflecting suggestions made at the meetings of the Board on February 8 and 9, 1962. The remaining documents, all but one of which had been available to the Board at its meetings on February 8 and 9, included a draft of proposed guidelines for foreign currency operations dated February 2, 1962. The new document was a letter from Mr. Knight, General Counsel of the Treasury, to Mr. Young dated February 9 transmitting a confidential Treasury staff memorandum on Treasury experience in the foreign exchange market. The documents transmitted to the Open Market Committee included the memorandum prepared by Mr. Hackley under date of February 8 outlining the legal basis for an alternative approach under which System foreign currency operations would be regulated, directed, and supervised by the Board of Governors rather than by the Federal Open Market Committee.

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At the beginning of today's discussion, Messrs. Young and Hackley commented that the draft documents pertaining to System foreign currency operations could easily be modified to the extent necessary should the decision after discussion at tomorrow's meeting of the Open Market Committee be to conduct such operations pursuant to the alternative approach outlined in Mr. Hackley's memorandum of February 8.

Mr. Young then referred to a memorandum that he had prepared under today's date in which reasons were stated for the view that an approach under which foreign currency operations would be conducted under the supervision and regulation of the Board rather than of the Open Market Committee would be contrary to the economic meaning of such operations and might raise difficult problems involving relations between the Board of Governors and the Federal Reserve Banks. This memorandum had not yet been distributed.

At the Board's request, Mr. Young read the memorandum. A basic question, the memorandum suggested, was whether transactions in cable transfers and foreign bills of exchange would be incidental to the opening, maintenance, or reduction of foreign accounts, or whether the opening, maintenance, or reduction of foreign accounts was incidental to foreign exchange operations. From the economic point of view, the essential features of the proposed operations were twofold. First, all foreign currency transactions, excluding only direct conversions of gold into foreign currencies or foreign currencies into gold, would create or

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extinguish reserve credit, regardless of whether they took the form of purchases or sales in the open market at home or abroad or the form of direct deals with foreign central banks. Second, all foreign currency transactions envisaged in the present program would be at the initiative of the System rather than a mere response to outside forces. These two features, it was pointed out, were those that distinguished System open market operations in Government securities and bankers' acceptances from other domestic System transactions. The idea, as set forth in Mr. Hackley's memorandum, of treating open market operations in foreign currencies as incidental to the opening, maintenance, or reduction of foreign accounts was based on the mechanism by which the operations were effected. The counterargument was that the mechanism was irrelevant, but the economic meaning of the operations was relevant. The question was not whether the Board would have authority over foreign relationships of the Federal Reserve Banks but how the Board might best exercise its authority in conjunction with the Open Market Committee's authority over System open market operations.

As to relations between the Board and the directors of the Federal Reserve Banks, the memorandum noted that the directors of the New York Reserve Bank had exercised the right of passing on foreign transactions of the Bank, including the opening of accounts for foreign banks and loans on gold collateral, before submitting such proposals to the Board of Governors. In these circumstances, it might be difficult

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for the Board to take the position that the directors had no right to pass on whether the New York Bank should purchase or sell quantities of foreign exchange, or in fact that they had no right to be informed of those transactions in advance of the general public. Any procedure, however, that would reveal System foreign currency operations in advance to the directors of the New York Bank would involve difficulties. Further, the New York Bank's directors might be reluctant to permit the Bank to undertake foreign currency operations under the sole responsibility of the Board, and the directors of other Reserve Banks might hesitate to permit their Banks to participate in these operations, at least without having full information. On the other hand, the authority of the Open Market Committee over open market operations was clearly stated in section 12A of the Federal Reserve Act and had been accepted without question by the directors of all Reserve Banks.

Mr. Hackley commented that the intent of his memorandum of February 8 was not to make a recommendation. He had merely been making legal observations. At the same time, while he felt that a program of foreign currency operations under the jurisdiction of the Open Market Committee, as heretofore discussed, could be sustained legally, he also felt that the so-called alternative approach, which involved policy as well as legal questions, would perhaps be more defensible from a legal standpoint. Purchases and sales of cable transfers were clearly open market transactions. However, it was his understanding that the principal

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objective of the program was the holding of credits abroad payable in various foreign currencies; that the purchasing and selling of cable transfers was just a method of transferring credits and could be regarded as more of an incident to the objective than the objective itself. A matter of judgment was involved, of course, and different lawyers might well have different views.

Question was raised regarding the rights of Reserve Bank directors in connection with open market operations conducted under section 12A of the Federal Reserve Act, and Mr. Hackley replied that the intent of section 12A was clear. No Federal Reserve Bank could engage or decline to engage in open market operations except under the direction of the Federal Open Market Committee, and the directors had no right to information in respect to open market operations.

In further discussion of this point, Mr. Hackley said he was unable to see any significant difference, from the standpoint of the New York directors being informed of operations, between acting under a procedure whereby the New York Bank was selected by the Open Market Committee as the Bank to execute transactions for the Open Market Account and acting under a procedure whereby the New York Bank would open and maintain accounts with foreign banks pursuant to regulations and consent of the Board of Governors.

The discussion then turned to distinctions that might be drawn from the standpoint of participation in transactions by the respective

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Federal Reserve Banks, it being pointed out that in the case of a gold loan, for example, the directors of all of the Reserve Banks had a responsibility, at least on paper, to determine whether their respective Banks would accept participation in the loan. In the case of open market operations, however, the participation was made automatically according to a formula approved by the Open Market Committee.

At this point Chairman Martin joined the meeting.

After further discussion based on Mr. Hackley's memorandum of February 8 and Mr. Young's of February 12, it was understood that a copy of Mr. Young's memorandum would be sent to each member of the Board, and that copies also would be available at tomorrow's meeting of the Open Market Committee should it seem desirable to distribute them at that time.

Chairman Martin commented that he felt the members of the Board should not reach any fixed position regarding the alternative procedures prior to tomorrow's meeting of the Open Market Committee, particularly in view of the history of consideration of System foreign currency operations. Over a period of months, all of the discussion had been on the basis that such operations would be conducted under the direction of the Open Market Committee. The Reserve Bank Presidents had received Mr. Hackley's February 8 memorandum only within the past day or so.

The Chairman added that he had discussed the possible alternative approach by telephone with President Hayes of the New York Reserve Bank.

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It appeared that Mr. Hayes might not be able to attend the Open Market meeting tomorrow. If he could not, however, First Vice President Treiber would attend as Mr. Hayes' alternate and would be prepared to speak for the New York Bank.

Chairman Martin also said that it seemed rather immaterial to him from a technical standpoint whether foreign currency transactions were conducted under one or the other of the alternative approaches. From the standpoint of the System as a whole, however, he thought it fairly important to have in mind the advantage of bringing all parts of the System into the operation. He considered Mr. Hackley's memorandum fairly persuasive. At the same time, he had an instinctive feeling that it would be best, from the standpoint of the unity of the Federal Reserve System, for foreign currency operations to proceed under the direction of the Open Market Committee.

After further comments had been made along these lines, consideration turned to the February 2 draft of proposed guidelines for transactions in foreign currencies. (The guidelines, as drafted, would be issued by the Open Market Committee to the New York Reserve Bank.)

Governor Mitchell expressed the view that some portions of the draft were not particularly meaningful and said that in general the guidelines were not as specific as he would like. Mr. Young replied that the staff had looked at the guidelines as something that would go through a process of evolution in the course of experience. However, they could

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be made as specific as might be desired. Governor Mitchell then indicated that he had certain specific suggestions that he would pass on to Mr. Young.

Governor Balderston noted language in the guidelines indicating that maximum quotas would be established for various foreign currencies. Such a reference might serve to raise questions, he suggested, if the guidelines should be made public. In light of Governor Balderston's comment, it was the view that the guidelines should be amended to delete any reference to maximum quotas, and that this should be a matter for consideration by the Open Market Committee or the Board, as the case might be, depending on the decision as to the manner of supervising foreign currency operations.

The discussion concluded with comments by Mr. Thomas, in response to an inquiry by Chairman Martin, regarding the staff thinking on the manner of publication of System foreign currency holdings.

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

International Banking Summer School (Item No. 11). The Secretary was informed later that during the executive session the Board gave consideration to a question that had been raised regarding the nomination of candidates from the Federal Reserve System to attend the International Banking Summer School, to be held in Moscow from July 1 to July 14, 1962. Arrangements for U. S. representation were being made through the American

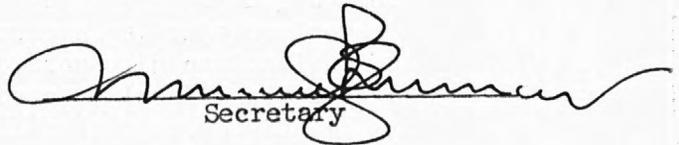
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Bankers Association. It was agreed that the names of Paul Gekker, Economist, Division of International Finance, and George Garvy, Adviser, Federal Reserve Bank of New York, should be submitted for consideration. Attached as Item No. 11 is a copy of the letter sent to the American Bankers Association pursuant to this action.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond (attached Item No. 12) approving the appointment of Robert B. Upshaw as assistant examiner.


Secretary

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

Item No. 1
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

FEB 12 1962



Board of Directors,
The Strafford National Bank of Dover,
Dover, New Hampshire.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for a fiduciary power and grants The Strafford National Bank of Dover authority to act as transfer agent. The right so granted may be exercised only to the extent that State banks, trust companies, or other corporations which come into competition with national banks are permitted so to act under State or local law. The exercise of such right also shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

In addition to the fiduciary power herein authorized, the bank was granted authority, on April 7, 1915, to act as trustee, executor, administrator, and registrar of stocks and bonds.

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
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

FEB 12 1962



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the operation of a limited-purpose branch by Chemical Bank New York Trust Company, New York, New York, at 30 Broad Street, New York, New York, for a period of six months following the opening of its branch at 67 Broad Street, New York, New York, provided such limited-purpose branch is established simultaneously with the opening of the branch at 67 Broad Street.

It is understood that the banking functions conducted at 30 Broad Street will be limited to the operation of a safe deposit facility and will not include the performance of any other functions such as, but not limited to, the acceptance of deposits, the paying of checks, or making of loans.

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
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1962

Board of Directors,
Chester-Schroon-Horicon Bank,
Chestertown, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Chester-Schroon-Horicon Bank, Chestertown, New York, of a branch on Main Street in Schroon Lake, New York, to be utilized between June 1 and September 30 only, of each year, 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.

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

Item No. 4
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1962

Board of Directors,
The Vienna Trust Company,
Vienna, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to April 30, 1962, the time within which The Vienna Trust Company, Vienna, Virginia, may establish a branch at the intersection of Maple Avenue and Berry Street, Vienna, Virginia, under the authority granted in the Board's letter dated August 30, 1960.

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
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 12, 1962

Board of Directors,
Putnam County Bank,
Hurricane, West Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by Putnam County Bank, Hurricane, West Virginia, of \$17,054.60.

This is in addition to the previous approval for an investment of \$86,881 and covers those expenditures set forth in your recent letter to the Federal Reserve Bank of Richmond.

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
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 12, 1962

Board of Directors,
First National Bank of Melbourne,
Melbourne, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First National Bank of Melbourne authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

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. 7
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 12, 1962

Board of Directors,
National Bank of Sarasota,
Sarasota, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants National Bank of Sarasota authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

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
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1962

Board of Directors,
The Farmers and Merchants Bank of Vandalia,
Vandalia, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by The Farmers and Merchants Bank of Vandalia, Vandalia, Illinois, of \$26,256.62. This sum includes \$25,042.31 capitalized as "Building addition and remodeling" and \$1,214.31 other bank premises costs which represent amounts expended in excess of the \$180,000 previously approved by the Board of Governors for the purpose of remodeling bank premises.

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. 9
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1962

Mr. Dale M. Lewis,
Vice President,
Federal Reserve Bank of St. Louis,
Box 442,
St. Louis 66, Missouri.

Dear Mr. Lewis:

This refers to your letter of January 25, 1962, inquiring whether your Bank may release 1961 data in the statements "Borrowings from Federal Reserve Banks" (L.5.3 and L.5.4).

It is understood that the information has been sought in connection with the preparation of a doctoral dissertation on member bank borrowings. The Board has no objection to the release for this purpose of data relating to the calendar year 1961 contained in L.5.3 and L.5.4 statements.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 10
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1962



Board of Directors,
Pacific State Bank,
Hawthorne, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$562,100 in bank premises by Pacific State Bank, Hawthorne, California, for the purpose of remodeling and expanding the main office and constructing two branches, one near Torrance and the other in Hawthorne, California.

The Board of Governors also approves the establishment by Pacific State Bank of a branch on 136th Street between Ramona Street and Hawthorne Boulevard, Hawthorne, Los Angeles County, California, provided the branch is established within one year from the date of this letter.

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. 11
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1962.



Dr. Murray G. Lee, Director,
Banking Education Committee,
The American Bankers Association,
12 East 36th Street,
New York 16, New York.

Dear Dr. Lee:

On behalf of the Federal Reserve System, there are submitted the names of Mr. Paul Gekker, Economist of the staff of the Board of Governors, and Dr. George Garvy, Adviser in the Research Department of the Federal Reserve Bank of New York, as candidates to attend the International Banking Summer School to be held in Moscow from July 1 to July 14 of this year.

Mr. Gekker is 43 years old and occupies a position as Economist in the Board's Division of International Finance. His experience includes some five years of prewar employment with an importing firm, during which time he gained familiarity with most working aspects of foreign trade financing. Almost all of Mr. Gekker's subsequent professional experience has been related to money and banking and international trade and finance. In his present position in the Division of International Finance, Mr. Gekker's responsibilities include current coverage of Soviet economic developments, with particular attention to monetary and financial topics. He has a good working knowledge of the Russian language.

Dr. Garvy, who is 48, has broad experience in the field of money and banking, and you may be familiar with some of his publications. He has participated, on behalf of the Federal Reserve Bank of New York, in several international conferences, including meetings of Central Bank Technicians of the American Continent. He has lectured on monetary subjects at the Economic Development Institute in Washington, D. C., and at the Centro de Estudios Monetarios Latinoamericanos in Mexico City. In 1959/60, Dr. Garvy was a visiting professor at Columbia University, and he has also previously lectured at Columbia as well as at New York University. In recent years, Dr. Garvy has visited central banks in Europe, Latin America, and Africa. Last year, Dr. Garvy lectured on monetary problems in Germany and Austria. Dr. Garvy speaks Russian fluently.

Dr. Murray G. Lee

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As you undoubtedly know, both the Board of Governors and the Federal Reserve Bank of New York have, within the System, special responsibilities in the field of international finance. Since the forthcoming session of the International Banking Summer School would provide a unique opportunity for contact with Soviet specialists on the subject of Soviet banking and finance, the Board is confident that the interests of the System would be significantly advanced by the attendance of Messrs. Gekker and Garvy.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 12
2/12/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1962

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of February 5, 1962, the Board approves the appointment of Robert B. Upshaw as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Upshaw is indebted to The Lynchburg National Bank and Trust Company, Lynchburg, Virginia, and is indebted to, and owns one share of stock of Campbell County Bank, Rustburg, Virginia, a nonmember bank of which his father is a vice president. Accordingly, the Board's approval of Mr. Upshaw's appointment is given with the understanding that he will not participate in any examination of The Lynchburg National Bank and Trust Company until his indebtedness has been liquidated, or of Campbell County Bank so long as he has indebtedness to, owns stock of, or is related to an officer of that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.