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Minutes for March 5, 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

M
[Signature]

Gov. Mills

Gov. Robertson

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. King

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 5, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Spencer, General Assistant, Office of
the Secretary
Messrs. Noyes, Holland, Koch, Williams, Brill,
Dembitz, Solomon, Gehman, Partee, Weiner,
Wernick, Wood, and Yager, and Miss Dingle
of the Division of Research and Statistics
Messrs. Furth, Katz, Irvine, Reynolds, and Mills
of the Division of International Finance

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

Following discussion based on this review, all members of the
staff except Messrs. Sherman, Kenyon, Young, Molony, Fauver, Noyes,
Williams, and Spencer withdrew from the meeting and the following
entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Farrell, Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of
Examinations

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Items circulated or distributed to the Board. The following items, which had been circulated or 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 Bankers International Financing Company, Inc., New York, New York, granting permission to purchase shares of La Anglo Argentina S. A. Compania de Seguros, Buenos Aires, Argentina.	1
Letter to The Cleveland Trust Company, Cleveland, Ohio, approving the establishment of a branch at Broadview and Snow Roads, Parma.	2

With respect to Item No. 1, Governor Robertson indicated that while he would vote for approval of this proposed stock acquisition, which was similar to other proposals that the Board had approved, he questioned whether the Board was not getting rapidly into a situation where it was approving investments abroad more than arrangements for facilitating financial operations.

Interpretation of regulations affecting national banks (Item No. 3). There had been circulated a draft of letter to the Comptroller of the Currency prepared by the Legal Division in response to a memorandum dated January 31, 1962, from Mr. Taylor, Deputy Comptroller, addressed to files. Mr. Taylor's memorandum suggested, in essence, that arrangements be worked out with the Board and the Federal Deposit Insurance Corporation whereby the two agencies might avoid rendering interpretations of their regulations on matters involving new programs of national banks until the Comptroller considered the policy aspects.

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Discussion of the draft letter resulted in a question being raised as to whether it was necessary to reply to the memorandum. However, it was pointed out that a copy of the Deputy Comptroller's memorandum had been sent direct to the Chairman with the personal card of the Comptroller attached, and in light of those circumstances it was agreed that a reply would be appropriate to clear the record.

The view also was expressed that one part of the proposed letter should be revised in order to spell out more fully certain aspects of one situation alluded to by Mr. Taylor, in which the Board had not received an inquiry but a member bank's proposal had been discussed with the Reserve Bank of the district concerned. Agreement also was expressed with certain further changes in the letter suggested by Mr. Hackley. Unanimous approval then was given to a letter to the Comptroller in the form attached as Item No. 3.

Presidential message concerning consumer protection. Mr. Sherman reported that on Friday afternoon, March 2, the Board received from the Bureau of the Budget a draft of a contemplated Presidential message concerning consumer protection. In this connection, the Bureau requested that any suggestions, accompanied by a written statement of reasons, be submitted not later than March 5. (In a letter dated February 9, 1962, the Board had written to the Budget Bureau regarding an outline of such a message on which the Bureau had invited comments.)

Messrs. Noyes and Hackley, in response to a request for comment on the matter, pointed out that a section of the message not covered in

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the earlier outline recommended insuring shareholdings in Federally chartered credit unions, in a manner comparable to the insurance of bank deposits and share accounts in savings and loan associations. This was an area where the Board might wish to express an opinion, particularly since the Board in 1956 had expressed itself adversely on a proposal of that kind. Otherwise, however, no issues were raised by the proposed message that seemed to the staff to raise the question of submitting comments.

After discussion regarding the proposed message, including its tenor and scope, it was concluded that comments at this stage probably would not be too effective. Accordingly, agreement was expressed with a suggestion that the Budget Bureau be advised informally that the Board had no comments.

Secretary's Note: Subsequent to the meeting, Mr. Hackley telephoned Mr. Reeve of the Bureau of the Budget and informed him that the Board had no comments with respect to the draft of Presidential message.

Meeting with representatives of National Association of Supervisors of State Banks. Mr. Sherman reported that the Executive Committee and Advisory Council of the National Association of Supervisors of State Banks would be meeting in Washington next week. In this connection, the Association had expressed a desire to arrange a meeting of its representatives with the Board to discuss matters of general interest. If the Board was agreeable to such a meeting, Mr. Sherman said, it seemed that the morning of March 13 would be a convenient time.

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After a brief discussion, it was understood that arrangements would be made on the basis indicated.

International Monetary Fund meetings. Mr. Young reported that under the Articles of the International Monetary Fund consultations had been required with member countries maintaining foreign exchange restrictions. With the establishment of convertibility in 1958, it was the feeling of the Fund directors that such consultations nevertheless should be continued and expanded, with the result that this year for the first time there would be a formal Fund consultation with the United States Government. The meetings would begin this afternoon and continue over a period of several days.

Mr. Young then described the nature of the several meetings in the series and indicated the extent to which the Board would be represented at them.

Travel by Mr. Young. The Board authorized travel by Ralph A. Young, Adviser to the Board and Director, Division of International Finance, to attend a meeting at the Bank for International Settlements in Basle, Switzerland, on March 10-11, 1962, on an actual expense basis, including official entertainment.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate

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individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

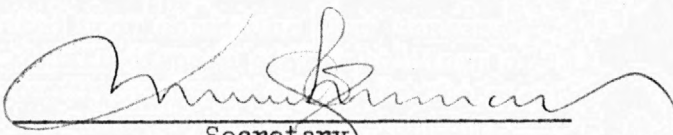
Appointments

Jack M. Egertson as Review Examiner in the Division of Examinations, with basic annual salary at the rate of \$11,155, effective the date of entrance upon duty, with the understanding that he would be reimbursed for his moving expenses from Chicago, Illinois, to Washington, D. C., including transportation and per diem while in travel status.

Boris C. Swerling as Senior Economist, Division of International Finance, with basic annual salary at the rate of \$14,380, effective the date of entrance upon duty.

Acceptance of resignation

Maynard S. Comiez, Economist, Division of Research and Statistics, effective at the close of business, March 18, 1962.


Secretary

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

Item No. 1
3/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 5, 1962

Bankers International Financing
Company, Inc.,
16 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with your request and on the basis of the information furnished in your letter of January 31, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent for Bankers International Financing Company, Inc. to purchase and hold 670 shares, par value M\$N 100 each, of the capital stock of La Anglo Argentina S. A. Compania de Seguros, Buenos Aires, Argentina, at a cost not to exceed US\$37,000, provided such stock is acquired within one year from the date of this letter.

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

Please advise the Board of Governors, through the Federal Reserve Bank of New York, when the acquisition of stock has been made.

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
3/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 5, 1962

Board of Directors,
The Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Cleveland Trust Company, Cleveland, Ohio, in the Midtown Shopping Center at the northwest corner of the intersection of Broadview and Snow Roads, Parma, Ohio, 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. 3
3/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

CABLE ADDRESS: "FEDRESERVE"

March 5, 1962.

The Honorable James J. Saxon,
Comptroller of the Currency,
Washington 25, D. C.

Dear Mr. Saxon:

We recently received from your Office a copy of an office memorandum from Mr. Taylor to the Files, dated January 31, 1962, suggesting that an arrangement be worked out whereby the Federal Reserve and the Federal Deposit Insurance Corporation might avoid rendering interpretations of their regulations with respect to matters involving new programs of national banks until the Comptroller of the Currency has had an opportunity to consider the policy aspects of such programs. The memorandum refers to occasions on which national banks had already embarked upon extensive advertising before your Office had had an opportunity to pass upon the acceptability of the promotions. It also mentions a few instances, such as the adoption by the Citizens and Southern National Bank of Atlanta of its so-called "savings bonds" program, in which a national bank has received the opinion of the Federal Reserve or the FDIC with respect to the legal aspects of the proposed program.

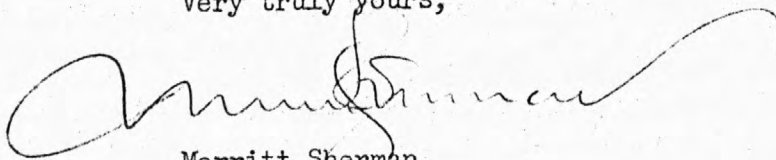
It has been the general practice of the Board in the past to consult with your Office, formally or informally, with respect to any inquiry regarding the applicability of a regulation of the Board to a national bank where it appeared that the matter might also involve a question of supervisory policy from the point of view of the Comptroller's Office. Thus, in a number of instances, communications received by the Board with respect to newspaper advertisements by national banks regarding rates of interest on time and savings deposits have been referred to your Office for consideration even though they may also involve questions as to the applicability of the Board's Regulation Q. For example, there was recently referred to your Office a letter from a Federal Reserve Bank transmitting an inquiry as to whether it is appropriate for a national bank to advertise the issuance of time certificates of deposit in the form of "bank savings bonds".

The Honorable James J. Saxon -2-

In this connection, it may be mentioned that no direct request was received by the Board for a determination as to whether the issuance of so-called "savings bonds" by the Citizens and Southern National Bank of Atlanta was in compliance with the Board's Regulation Q, and the Board did not pass upon that question. However, this National Bank informally discussed the question with the Federal Reserve Bank of Atlanta; and, when the matter came to the attention of the Board's staff, the question as to the appropriateness of the use of the term "savings bonds" was taken up informally with the staff of your Office.

Efforts will continue to be made to see that any inquiry coming to the Board involving new programs undertaken by national banks will be brought to the attention of your Office if, in addition to involving the Board's regulations, the inquiry appears to raise any question of policy with which your Office may be concerned.

Very truly yours,



Merritt Sherman,
Secretary.