

Minutes of the Board of Governors of the Federal Reserve System on Friday, April 13, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: 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. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Spencer, General Assistant, Office of the Secretary
Mr. Yager, Chief, Government Finance Section, Division of Research and Statistics
Mr. Axilrod, Economist, Division of Research and Statistics

Money market review. Mr. Yager commented on recent developments in the Government securities market, and in this connection distributed copies of a chart and table showing yield relationships in the Government securities market for selected dates in 1962. Mr. Axilrod then described developments with respect to bank reserves, the money supply, and related matters.

Following these reports, Messrs. Thomas, Molony, Cardon, Yager, and Axilrod withdrew from the meeting and the following entered the room:

Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Furth, Adviser, Division of International Finance

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Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Veenstra, Technical Assistant, Division of
Bank Operations
Mr. Lyon, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on April 12, 1962, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated or distributed items. 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 American National Bank of Fort Lauderdale, Fort Lauderdale, Florida, approving its application for fiduciary powers.	1
Letter to Peoples National Bank of Miami Shores, Miami Shores, Florida, approving its application for fiduciary powers.	2
Telegram to the Federal Reserve Bank of New York authorizing renewal of a gold loan to Indonesia.	3
Letter to the Secretary of the Federal Advisory Council suggesting topics for discussion at the forthcoming joint meeting of the Board and the Council.	4
Letter to the Comptroller of the Currency proposing the adoption of a report form to expand the collection of deposit information from bank branches. (With a similar letter to the Chairman of the Federal Deposit Insurance Corporation.) (Both letters prepared pursuant to the understanding at the meeting on February 27, 1962.)	5

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Application of First Oklahoma Bancorporation. Mr. Hexter reported that pursuant to the decision at the meeting on April 9, 1962, to hold a public hearing in the matter of the application of First Oklahoma Bancorporation, Inc., Oklahoma City, Oklahoma, for approval of the acquisition of voting shares of The First National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma, and The Idabel National Bank, Idabel, Oklahoma, arrangements had been made to conduct the hearing on June 5, 1962, in the Federal Building, Oklahoma City. It was anticipated that Mr. Charles W. Schneider, Hearing Examiner with the National Labor Relations Board, would serve as the Hearing Examiner, and that Mr. O'Connell, Assistant General Counsel for the Board, would serve as Board Counsel, assisted by Mr. Leedy, General Counsel and Secretary, Federal Reserve Bank of Kansas City, and perhaps another member of the Board's legal staff. An order relating to this matter had been issued on April 12, 1962, pursuant to the authorization given at the April 9 meeting.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on April 12, 1962, the following actions relating to the Board's staff:

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Salary increases, with change in title

Marjorie M. Gray, from \$4,075 to \$4,250 per annum, with a change in title from Digital Computer Programmer Trainee to Digital Computer Programming Assistant in the Division of Research and Statistics, effective April 15, 1962.

Dorothy E. Swink, from \$4,460 to \$4,675 per annum, with a change in title from Statistical Clerk to Statistical Assistant in the Division of Research and Statistics, effective April 15, 1962.

Acceptance of resignation

Joyce Kohan, Secretary, Division of Research and Statistics, effective at the close of business April 10, 1962.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved today on behalf of the Board the following actions relating to the Board's staff:

Salary increases, effective April 15, 1962Legal Division

Cora Lee Hatch, Legal File Clerk, from \$5,335 to \$5,655 per annum.

Division of Examinations

Robert F. Achor, Review Examiner, from \$10,255 to \$10,635 per annum.

John N. Lyon, Review Examiner, from \$10,255 to \$10,635 per annum.

John M. Poundstone, Review Examiner, from \$10,255 to \$10,635 per annum.

Jeannette Somlyo, Stenographer, from \$4,075 to \$4,250 per annum.

Richard N. Thompson, Review Examiner, from \$10,255 to \$10,635 per annum.

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Appointment of consultant

Ralph S. Woodruff, as Consultant in the Division of Research and Statistics, effective until December 31, 1962, on a temporary contractual basis with compensation at the rate of \$54.08 for each eight hours (\$6.76 per hour) worked for the Board.

Establishment of and appointment to temporary position

Temporary summer position established in the Special Studies and Operations Section of the Division of International Finance, and T. Paul Schultz appointed as Research Assistant, with basic annual salary at the rate of \$5,355, effective the date of entrance upon duty.

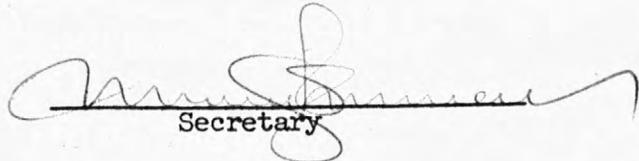
Establishment of sensitive positions

All positions in the Stenographic Section of the Office of the Secretary declared sensitive; overexpenditure in 1962 budget of the Division of Personnel Administration authorized to cover the estimated cost of full field investigations.

Governor Shepardson also approved today on behalf of the Board the following letters:

Letter to Mr. Francis, Acting Chairman, Committee on Bank and Public Relations of the Conference of Presidents, Federal Reserve Bank of St. Louis, advising that the Board would be pleased to have Mr. Molony continue as an Associate Member of the Subcommittee on Bank and Public Relations.

Letter to the Department of Justice (attached Item No. 6) regarding United States v. Wegematic Corporation.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1

4/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

APR 13 1962



Board of Directors,
American National Bank of Fort Lauderdale,
Fort Lauderdale, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants American National Bank of Fort Lauderdale 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
4/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 13, 1962

Board of Directors,
Peoples National Bank of Miami Shores,
Miami Shores, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Peoples National Bank of Miami Shores 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 3
4/13/62BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

April 13, 1962

LANG - NEW YORK

Your wire April 12. Board approves a renewal of the outstanding loan on gold of \$11,950,000 by your Bank to the Bank of Indonesia on the following terms and conditions and with the understanding that no further renewal will be requested or granted:

- (a) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- (b) To mature in three months with option to repay at any time before maturity, repayments to be made in multiples of \$1 million; and
- (c) To bear interest at the discount rate of your Bank in effect on the date on which such renewal is made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 4
4/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 13, 1962



Mr. Herbert V. Prochnow, Secretary,
Federal Advisory Council,
c/o The First National Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held on April 30, 1962, and for discussion at the joint meeting of the Council and the Board on May 1:

1. What are the observations of the Council regarding the performance of the economy in recent months, the sentiment of the business community, and the general outlook for the remainder of the year? Have the Council's estimates of over-all business activity for the year been revised appreciably since the date of the Council's meeting in February? How does the Council appraise the effects of the steel wage settlement and the subsequent increase in steel prices?
2. Does the Council see indications of current or prospective improvement in the unemployment situation?
3. What interpretation does the Council place on developments in the housing and construction area?
4. What are the prospects for loan demand at banks during the next several months, including the demand for real estate and consumer loans?
5. The Board would welcome comments as to recent developments resulting from the increased maximum permissible rates of interest on time and savings deposits, including the effects of higher interest rates

Mr. Herbert V. Prochnow

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on portfolio management. Are there recent developments of significance in connection with negotiable certificates of deposit or longer-term savings instruments?

6. What are the views of the Council regarding the impact of current monetary and credit policy? Would the Council be inclined to place relatively more weight on domestic considerations or on international considerations?

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
4/13/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 13, 1962



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

Dear Mr. Saxon:

For some time the Board has felt handicapped in acting on applications to merge or consolidate banks, to form or add to bank holding companies, and to establish branches, by the lack of readily available, current, and reliable banking data for geographic areas smaller than counties. At present, comparative regional banking figures are limited to a considerable extent by those available from the biennial deposits by counties program. These data are often too old or relate to areas too broad to serve the purposes of current analysis of competitive factors in some of the applications on which the Board is required to act.

The Board is in the process of expanding the amount of time staff members and outside professional consultants will spend on fundamental research on the economic aspects of the banking structure and the markets for the many types of bank services. More comprehensive and current branch data are particularly important in this area and their availability should be expanded if these efforts are to be fruitful. Reporting forms and reporting procedures that were originated many years ago and were generally satisfactory under previous conditions do not serve many of today's needs.

With these problems in mind, the Board asked the Federal Reserve Banks to survey the branch systems in their Districts to determine whether reliable deposits data for individual branches outside the head office city are available from bank records. A memorandum report of the results of this survey is attached for your information. Mr. Chapman Fleming of your Office has been kept advised regarding this survey and its results.

As you will note from the attached summary memorandum, out-of-city branch deposits data are generally available from bank records. Most banks expressed the feeling that the branch deposit figures available from their records would be representative of the amount of deposits native to the branch area. Previous to this survey,

The Honorable James J. Saxon

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Proposals to expand reporting of branch deposits were rejected on the belief that such data were not readily available from bank records and might be extremely difficult and burdensome for banks to report. This survey indicates that these fears were not well grounded.

The Board recognizes that the reporting burden on banks with branches would be somewhat increased but feels that expansion of branch reporting is essential to the discharge of its responsibilities, and that on this basis the burden will be accepted by the banking community. Relatively few bankers participating in the survey made adverse comments on the possibility of an expanded branch reporting program. There were, however, indications that advance notice of the report date and that submission as of the end of a month or quarterly period would minimize the reporting burden.

Since the managements of many of these branch systems keep in touch with the supervisory authorities with regard to plans to merge, to establish branches, or to form or expand holding companies, it is hoped that they will readily understand the need for information on which to base supervisory decisions on these matters.

Modern data processing techniques will keep at a minimum the burden of editing and tabulating these reports when they are received.

The attached form would serve the Board's needs for branch deposits data if collected annually; other alternatives may occur to you and the details may be worked out by the respective staffs. The form provides for the collection of the same items as are now collected biennially, i.e., demand and time deposits of individuals, partnerships, and corporations, and total deposits. These items would be reported by cities and, for branches in unincorporated areas, by counties.

The Board hopes that your Office will be willing to cooperate in an undertaking to collect more meaningful branch deposit data than are now available. It would appreciate receiving your comments with respect to the proposed project and also with respect to the use of the suggested report form in place of the regular deposits-by-counties form in June of 1962.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Attachments.

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

4/13/62
Item No. 6

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1962

Mr. William H. Orrick, Jr.,
Assistant Attorney General,
Civil Division,
U. S. Department of Justice,
Washington 25, D. C.

WHO:RM
77-51-2529

Re: United States v. Wegematic
Corporation, Civ. 154-1

Dear Mr. Orrick:

This will acknowledge receipt of your letter dated
April 4, 1962, with enclosures, regarding the above litigation.

You are advised that the Board has no comments or
suggestions regarding the financial statements submitted in support
of a proposal to settle the case on the basis of financial inability
to pay. The Board has no additional information as to the finances
of Wegematic Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.