

Minutes for April 19, 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)

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Thursday, April 19, 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
Miss Carmichael, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations

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

Item No.

Letters to (a) Chemical International Banking Corporation and (b) Chemical International Finance, Ltd., both of New York, New York, authorizing amendment of the Articles of Association of each corporation to change the location of its home office from 165 Broadway to 20 Pine Street, New York, New York.

1-2

4/19/62

Item No.

Letter to First National City Bank, New York, New York, approving an extension of time within which a branch in San Juan, Puerto Rico, may occupy temporary quarters during construction of a new building.	3
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Telegram to the Federal Reserve Bank of Kansas City interposing no objection to the rental, under purchase option, of electronic check processing equipment consisting of an IBM data processing system, supported by National Cash Register encoding equipment.	4
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Mr. Goodman then withdrew from the meeting.

Report on competitive factors (Baltimore-Easton, Maryland).

Under date of April 12, 1962, there had been distributed a draft of report to the Comptroller of the Currency on the proposed purchase of assets and assumption of liabilities of The Easton National Bank of Maryland, Easton, Maryland, by Maryland National Bank, Baltimore, Maryland.

After certain changes in the body and conclusion of the report were suggested by Governor Robertson and agreed upon, the report was approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

Maryland National Bank and The Easton National Bank do not appear to be competitors to an important degree and the proposed transaction would eliminate little competition. It would, however, result in removal of the only bank in the area in position to furnish significant competition for Maryland National Bank. The proposed purchase of assets and assumption of liabilities reflects the continuance of a trend in Maryland toward concentration of banking resources in a few large banks.

4/19/62

Report on competitive factors (Savannah-Atlanta, Georgia).

Under date of April 16, 1962, there had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Citizens and Southern Bank of Atlanta, Atlanta, Georgia, by The Citizens and Southern National Bank, Savannah, Georgia. The conclusion in the draft read as follows:

The proposed transaction will have little effect on competition.

In discussion, Governor Robertson suggested that the conclusion be changed since it appeared that the proposed transaction, combining two closely allied banks, would have no effect on competition. There being agreement with this suggestion, the report was approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

It would appear that combining the two institutions would correct an awkward situation with no change in the present competitive situation.

Report on competitive factors (Salem-Campbellsburg,

Indiana). Under date of April 13, 1962, there had been distributed a draft of report to the Federal Deposit Insurance Corporation on the proposal of Farmers-Citizens State Bank, Salem, Indiana, to acquire the assets of and assume liability to pay deposits made in State Bank of Campbellsburg, Campbellsburg, Indiana. The conclusion of the report read as follows:

4/19/62

-4-

The acquisition of assets of and assumption of liability to pay deposits made in the State Bank of Campbellsburg, Campbellsburg, Indiana, by Farmers-Citizens State Bank, Salem, Indiana, would have little effect on competition.

The report was approved unanimously for transmittal to the Federal Deposit Insurance Corporation.

Messrs. Molony, Assistant to the Board, Noyes, Director, and Koch, Adviser, Division of Research and Statistics, and Miss Stockwell, Economist, Division of Research and Statistics, entered the room at this point.

Report on S. 3130 (Item No. 5). Pursuant to the understanding at the Board meeting on April 18, 1962, there had been distributed three drafts of possible reply to the request of Chairman Robertson of the Senate Banking and Currency Committee dated April 11, 1962, for the Board's views with respect to S. 3130, a bill which would authorize the Secretary of Commerce "to purchase industrial and commercial evidences of indebtedness to promote certain industrial and commercial loans in redevelopment areas by lending institutions in order to help such areas plan and finance their economic redevelopment, and for other purposes."

The first draft of reply would state that S. 3130 appeared to be in many ways an improvement over S. 1212, introduced in the first session of the 87th Congress; that it would operate more effectively to accomplish its purposes in such redevelopment areas as might be handicapped by the inability of lending institutions to finance industrial and commercial projects; that the Board was not in

4/19/62

-5-

a position to judge whether legislation of this type was needed to assure the maximum effectiveness of other Government programs already adopted to provide assistance to redevelopment areas; but that if, in the judgment of the Congress, such legislation was necessary, S. 3130 would seem a reasonable approach. The second draft would express doubt whether this proposal would significantly improve job opportunities in redevelopment areas generally. The third draft would be limited to an expression of the view that S. 3130 would seem to provide a reasonable approach if, in the judgment of the Congress, legislation of this type was needed in order to supplement other Government programs already adopted to provide assistance to redevelopment areas.

In discussion, Governors Mills, Robertson, King, and Balderston expressed a preference for the third of the three draft letters. Governor Shepardson expressed a preference for the second draft, subject to certain technical modifications suggested at this meeting, but indicated that he could accept the third draft. Governor Mitchell expressed a preference for the first draft, subject to certain technical modifications, but indicated subsequently that he would not object to the third draft.

Accordingly, it was agreed to send the letter of which a copy is attached as Item No. 5.

Messrs. Cardon, Koch, and Leavitt then withdrew from the meeting, as did Miss Stockwell.

4/19/62

Atlanta building. On November 13, 1959, the Board of Governors authorized the acceptance of bids for construction of an addition and alterations to the head office building of the Federal Reserve Bank of Atlanta. Upon completion of the addition, employees were moved from the old building pending alterations thereto.

In a letter dated March 13, 1962, which had been circulated to the members of the Board for their information, President Bryan reported that the discovery of structural weaknesses in the old building had resulted in the discontinuance of remodeling work until further investigation could be carried out. Subsequently, the building was inspected by the Board's Consulting Architect, Mr. Witherell, and by consulting and public building engineers, who confirmed the structural weaknesses.

Governor Balderston reported that President Bryan called on April 18 and stated that a current inspection of the old building by the Reserve Bank's engineer revealed further deterioration and danger that the roof slab might fall. Accordingly, it was considered necessary to take immediate safety measures. Mr. Bryan was advised that no authorization on the part of the Board would appear to be required in order for him to take such measures, but that the situation would be reported to the Board for its information. Later in the day Mr. Bryan advised the Board by wire that the contractor had been authorized to remove the roof slab as an emergency operation.

4/19/62

-7-

Mr. Farrell commented on recent reports regarding the building by the Board's architect and by consulting and building engineers, quoting excerpts from such reports, which indicated that the only solution appeared to be the complete demolition of the old building.

After discussion, it was understood that Mr. Farrell would call President Bryan and inform him that the Board had been advised regarding the condition of the building and the emergency measures that had been authorized, including the removal of the roof slab; that there appeared to be no necessity for a visit by President Bryan to Washington at this time; and that the Board would be prepared to consider in due course such recommendations as might be made with respect to termination of the present contractual arrangement for remodeling of the building or related matters.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved today on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective April 29, 1962:

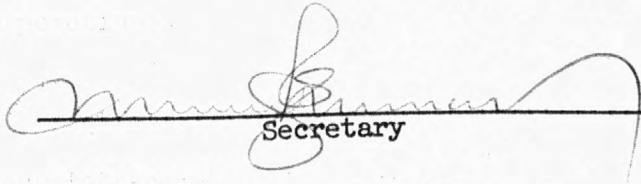
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Barton Veret, Attorney		\$6,600	\$6,765
Samuel E. Entriken, Attorney		7,820	8,080

4/19/62

-8-

Salary increases, effective April 29, 1962 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>International Finance</u>			
Rodney H. Mills, Jr., Economist		\$7,820	\$8,955
<u>Administrative Services</u>			
Donald W. Moon, Supervisor, Procurement Section		7,260	7,425
Abner Thompson, Multilith Operator		4,992	5,242
Barbara Kay, Operator, Key Punch		3,970	4,075



Secretary

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

Item No. 1
4/19/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 19, 1962

Chemical International Banking Corporation,
New York, New York.

Gentlemen:

This will acknowledge your letter of April 12, 1962, transmitted through the Federal Reserve Bank of New York, requesting approval for your Corporation to amend its Articles of Association to change the location of its Home Office from 165 Broadway, New York, New York, to 20 Pine Street, New York, New York.

In accordance with your request, and pursuant to Section 211.3(d) of Regulation K, as amended to November 12, 1958, the Board of Governors authorizes the amendment of the Articles of Association to reflect such change.

Please furnish the Board of Governors a certified copy of the resolution amending the Articles of Association when adopted by the shareholders of your Corporation. Also advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the change in location is effected.

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
4/19/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 19, 1962

Chemical International Finance, Ltd.,
New York, New York.

Gentlemen:

This will acknowledge your letter of April 9, 1962, transmitted through the Federal Reserve Bank of New York, requesting approval for your Corporation to amend its Articles of Association to change the location of its Home Office from 165 Broadway, New York, New York, to 20 Pine Street, New York, New York.

In accordance with your request, and pursuant to Section 211.3(d) of Regulation K, as amended to November 12, 1958, the Board of Governors authorizes the amendment of the Articles of Association to reflect such change.

Please furnish the Board of Governors a certified copy of the resolution amending the Articles of Association when adopted by the shareholders of your Corporation. Also advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the change in location is effected.

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
4/19/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 19, 1962

Mr. Carl W. Desch, Cashier,
First National City Bank,
399 Park Avenue,
New York 22, New York.

Dear Mr. Desch:

Reference is made to your letter of March 29, 1962, to Mr. Howard D. Crosse, Vice President of the Federal Reserve Bank of New York, in which you refer to the Board's letter of March 31, 1960, approving the removal of your branch in the Hato Rey area of San Juan, Puerto Rico, to temporary quarters for a period of approximately two years, during the construction of your new building on another section of this same property. It is noted that, due to delay in developing final plans for the proposed building and obtaining the necessary building permit, it is expected that the new building will not be ready for occupancy before the second quarter of 1963. In the circumstances, the Board extends to September 30, 1963, the time within which the branch may occupy temporary quarters during construction of the new building.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is established in permanent quarters.

Very truly yours,
(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

Item No. 4
4/19/62

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

April 19, 1962

Clay - Kansas City

Board interposes no objection to rental of
high-speed processing equipment referred to in Boysen's
March 1, 1962 letter to Farrell.

(Signed) Merritt Sherman

SHERMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
4/19/62

OFFICE OF THE VICE CHAIRMAN

April 19, 1962

The Honorable A. Willis Robertson,
Chairman, Banking and Currency Committee,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in reply to your request of April 11, 1962, for the Board's views with respect to S. 3130 which would authorize the Secretary of Commerce "to purchase industrial and commercial evidences of indebtedness to promote certain industrial and commercial loans in redevelopment areas by lending institutions in order to help such areas plan and finance their economic redevelopment, and for other purposes."

The Board understands that the bill is, in effect, a substitute for S. 1212, introduced in the first session of the 87th Congress. If, in the judgment of the Congress, legislation of this type is needed in order to supplement other Government programs already adopted to provide assistance to redevelopment areas, S. 3130 would seem to provide a reasonable approach.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,
Vice Chairman.