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Minutes for April 25, 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

mm

Gov. Mills

Gov. Robertson

R

Gov. Balderston

RSB

Gov. Shepardson

JS

Gov. King

TK

Gov. Mitchell

MM

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, April 25, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Collier, Chief, Current Series Section, Division of Bank Operations

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 unanimously approved:

- | | <u>Item No.</u> |
|--|-----------------|
| Letter to the Federal Reserve Bank of Richmond authorizing the Bank to waive assessment of a penalty incurred by Mountain Trust Bank, Roanoke, Virginia, because of a deficiency in its required reserves. | 1 |
| Letter to Cherokee State Bank, Cherokee, Iowa, approving an investment in bank premises. | 2 |

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Item No.

Letter to Commercial Security Bank, Ogden, Utah, approving the establishment of a branch at approximately 3700 Wall Avenue, South Ogden.	3
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Letter to Walker Bank & Trust Company, Salt Lake City, Utah, approving the establishment of a branch in the vicinity of 3500 South Street and 2800 West Street, Granger.	4
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Messrs. Daniels and Collier then withdrew.

Request of Union Bank, Los Angeles (Item No. 5). There had been circulated a draft of letter to Union Bank, Los Angeles, California, approving its request for an extension of time within which to establish a branch in the vicinity of the intersection of First Avenue and "A" Street, San Diego. When the file was in circulation, Governors Mills and Robertson had indicated some question concerning the request.

Governor Mills noted that although Governor Robertson was absent, he (Governor Mills) was reasonably certain that Governor Robertson's question was the same as his.

Governor Mills then referred to the Board's approval on April 26, 1961, of an application to establish the branch concerned, provided the office was established within one year. The bank's failure to make arrangements within a year's time for either temporary quarters or a site for the construction of a permanent branch building raised a question whether the bank should have further time in which to reach a decision on this matter.

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Mr. Leavitt replied that it had been the policy of Union Bank to expand its operations principally through the establishment of "regional" offices at strategic locations rather than through many scattered branches. The proposed branch in San Diego would be located in a business area where several other large banks had offices, so the question of pre-emption of a site did not enter the picture. Several locations reportedly had been investigated, but they were not considered acceptable for branch quarters.

Governor Mills commented that the explanation seemed persuasive; nevertheless, he believed that the letter to Union Bank granting the request for an extension of time should indicate that the Board felt that definite steps looking toward establishment of the proposed branch should be taken prior to the expiration of the extension of time.

There being agreement with this suggestion, a letter in the form of the attached Item No. 5 was approved unanimously.

Mr. Molony, Assistant to the Board, joined the meeting during the foregoing discussion.

First Colorado Bankshares (Item No. 6). Distribution had been made under date of April 20, 1962, of a draft of wire to the Federal Reserve Agent at Kansas City authorizing issuance to First Colorado Bankshares, Inc., Englewood, Colorado, of a general voting permit entitling it to vote its stock of The First National Bank of Englewood, Englewood, Colorado, and Lakeside National Bank, Lakeside, Colorado.

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As pointed out in an accompanying memorandum from the Division of Examinations, First Colorado Bankshares became a bank holding company and a holding company affiliate on January 15, 1962, when it acquired 94 per cent or more of the outstanding voting shares of The First National Bank of Englewood, Lakeside National Bank, and University Hills Bank, Denver (a nonmember bank). The memorandum noted that the factors required to be considered by the Board in connection with an application for a general voting permit had been encompassed in the factors considered when Bankshares was granted permission (by the Board's order of October 27, 1961) to become a bank holding company of the above-named banks; and that no information had come to the Division's attention which would alter the favorable conclusions with respect to those factors. Consequently, it was recommended that the general voting permit be issued. The Federal Reserve Bank of Kansas City had also recommended favorably on the application.

There being no objection, the application for a general voting permit was approved unanimously. A copy of the telegram sent to the Federal Reserve Agent in Kansas City pursuant to this action is attached hereto as Item No. 6.

Mr. Thompson withdrew from the meeting at this point.

Time of sending Board reports on competitive factors to Justice Department (Item No. 7). Copies of a memorandum from Mr. Solomon dated April 24, 1962, had been distributed with reference to the time of furnishing to the Department of Justice copies of the Board's reports on

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competitive factors in bank merger cases. As noted in the memorandum, the Board on August 3, 1960, adopted the practice of furnishing copies of such reports to the Justice Department following action on each application by the deciding agency. On or about the same date, this procedure also was adopted by the Comptroller of the Currency and the Federal Deposit Insurance Corporation. On a recent occasion, however, Assistant Attorney General Loevinger indicated to Chairman Martin that it would be helpful if the Justice Department could have the benefit of the Board's reports on competitive factors at an earlier date.

It was Mr. Solomon's view, as expressed in his memorandum, that it would be appropriate to cooperate with Justice in the manner suggested. The Board's competitive factor reports ordinarily were not transmitted to the deciding agency until about the end of the statutory period of 30 days, by which time Justice presumably would have almost always completed and transmitted its own report to the deciding agency. Even should Justice receive the Board's report prior to the completion and transmission of its own report, it seemed unlikely that the Department's report would be influenced by that of the Board. For these reasons, it was Mr. Solomon's recommendation that the Board's procedure in this matter be changed to provide for forwarding to Justice copies of reports on competitive factors when such reports were sent to the deciding agency instead of waiting until the cases had been determined.

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At the request of the Chairman, Mr. Solomon commented on his memorandum, noting that during initial discussions of this question with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency preliminary indications were that each of those offices was favorably inclined toward the revised procedure. The matter had been left at a stage where additional interagency discussion was anticipated, but the representative of the Comptroller's Office had not been available for a further meeting.

Governor Mills stated that although he had no objection to the suggested procedure, it would seem desirable to him, in the interest of uniformity of practice, to notify the other two agencies of the Board's intention to take the action indicated and wait for a few days to get their reaction.

In discussion of this point, it was stated that the Comptroller was now including in a weekly publication the fact that certain competitive factor reports had been sent to the other agencies, together with his conclusions. This publication appeared to include information on reports that had been sent during the period covered by the publication. It also appeared possible that the Federal Deposit Insurance Corporation had already decided to make its competitive factor reports available to the Justice Department without waiting for the deciding agency to take action on a merger.

It was then decided, in view of the foregoing discussion, to send copies of the Board's reports on competitive factors to the

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Department of Justice at the same time that they were sent to the agency having jurisdiction. A copy of the letter sent to the Justice Department pursuant to this action is attached as Item No. 7.

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

Department store statistics program. There had been distributed under date of April 23, 1962, a draft of letter to the Chairman of the Conference of Presidents of the Federal Reserve Banks attaching for comment a draft of letter to the President of the National Retail Merchants Association regarding the Federal Reserve department store reports. The letter to the President of the Association had been prepared in the light of the action of the Presidents' Conference at its meeting on March 5, 1962, and had been redrafted in the light of discussion by the Board on March 16. It was proposed to send a copy to each Reserve Bank President, with a request for written comments on the draft letter by May 3, 1962.

The letter to the Conference of Presidents would point out that the Board's primary concern in the department store reports was twofold: (a) the Federal Reserve should not be a source for economic data known to be seriously inadequate or unreliable in measuring the field purported to be covered; (b) the Federal Reserve was interested in furthering the production of good current information regarding consumer takings, and whatever the System might continue to do in the department store field should be directed toward improving such data.

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The Board would not be unhappy if all work relating to department store data could be transferred to the Bureau of the Census under a program that would provide improved information on consumer takings. This seemed a reasonable prospect within the next few years, but such a transfer was not of pressing importance provided the work that might be carried on in the meantime fitted the primary objectives stated earlier. Furthermore, a transfer of this work to the Census Bureau should be brought about in a manner that would not needlessly impair relations with an important segment of the business community.

At the Chairman's request, Mr. Sherman commented that it seemed appropriate at this stage to canvass the views of the Presidents on the draft of letter to the trade. The letter had not been discussed with the members of the Committee of Five representing the trade, but it could be given to them should the Board decide to transmit it to the Reserve Bank Presidents. The letter had been framed in such a way as to avoid placing the Federal Reserve in the position of arguing with the trade regarding the ultimate disposition of the department store series, yet it made no commitment that the System would continue in this reporting field indefinitely. A fairly good flag was put up, but the letter would not take an arbitrary, unilateral stand.

Governor Mitchell stated that in his opinion the letter to the trade was not worded strongly enough. In his view the letter should take the position clearly that the System did not intend to continue the present departmental series. An estimated \$200,000 was being

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spent annually by the System on these reports, which were not used for economic analysis. He suggested that the letter be changed to state that the System was considering the adoption of a national monthly department store sales report, provided the trade was willing to cooperate in furnishing the data, and that when such a new series was initiated, presumably on January 1, 1963, the System intended to drop the present departmental series.

The Chairman commented that the problem appeared to be largely one of mechanics. The System almost decided in 1959 to adopt a course of action similar to that suggested by Governor Mitchell. However, following discussion of the subject with some 35 to 40 representatives of the trade who visited the Board's building early in 1960, the decision had been made to adopt a more conciliatory approach. That decision having been made, it would seem inadvisable to change horses in the middle of the stream.

In further discussion, Mr. Sherman called attention to a statement in the draft letter to the trade that the Federal Reserve was prepared to undertake a national monthly departmental sales report of the type referred to in the February 27, 1962, report of the Committee of Five, provided the trade demonstrated its willingness to furnish the basic data needed for the proposed consolidated national report. The letter would go on to state that if such a report was developed, the present national and Federal Reserve District reports of sales and stocks for about 100 departments, based on figures reported by a

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limited number of independent department stores, would be discontinued as soon as the new national departmental was well established. The letter would also express the System's intention to take a hard look at the current city comparisons of sales and stocks by departments, with an indication that curtailment, and perhaps discontinuance, would be anticipated. This language was quite strong, and he thought it was about as strong as the System would be well advised to use at this time. At the meeting with representatives of the trade in 1960, mentioned previously by the Chairman, the trade representatives requested a three-year period for study of the whole question before the position of the Federal Reserve was finally decided. In the period of a little over two years since that meeting, the atmosphere had improved. There had been a change in the attitude within the trade toward the city departmental series, which formerly was considered a "sacred cow", partly because the channels of trade had been changing. Also the trade representatives on the Committee of Five now understood more clearly the statistical defects of the several department store series, some of which had been discontinued early in 1961 following studies by the Committee. It would be somewhat disruptive should unilateral action now be taken by the System several months before the end of the three-year period.

In the discussion that followed, several suggestions were made for modification of the draft letter to the trade. In the course

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of this discussion, Governor Mitchell reiterated the views he had expressed earlier regarding the deficiencies of the current series and the firmness of tone that he thought was called for in the proposed letter.

Governor Mills referred to the two specific recommendations in the report of the Committee of Five dated February 27, 1962, namely, (1) initiation by the System of a new national departmental report of department store sales and (2) initiation by the Bureau of the Budget and the Bureau of the Census of plans for a new merchandise line series for all retail trade. He noted that the possibility of getting a Census Bureau appropriation apparently was still uncertain. Further, there was no strong reporting system for the Census Bureau to take over unless the Federal Reserve work progressed along the lines indicated. In 1959, when word got around that the Board was desirous of withdrawing from the department store field in favor of the Census Bureau, a storm of such proportions was raised by the trade that the plans were shelved.

Mr. Sherman replied that the Census Bureau had now been allocated some funds for this kind of work and was preparing to publish some new data. He added that Mr. Bowman, the Budget Bureau representative on the Committee of Five, had called recently regarding the question of pressing for additional funds in the fiscal 1963 budget of the Census Bureau. His reply had been, Mr. Sherman said, that he felt sure the System would be sympathetic, and the two trade representatives on the Committee had previously indicated that they would be willing to seek

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the support of the trade for Census Bureau appropriations to accomplish further work in the retail trade field.

After further discussion, it was decided to redraft for consideration by the Board at a later meeting the letter to the President of the National Retail Merchants Association.

At this point all of the members of the staff except Mr. Sherman and Mr. Fauver withdrew from the meeting.

Appointment of directors. At Governor Balderston's request, Mr. Fauver reported a discussion with Chairman Hall of the Federal Reserve Bank of Cleveland when he was in the Board's building last week, at which time there was a discussion of the appointment of a successor to Deputy Chairman Thompson when he has completed 6 years of service as a director at the head office at the close of 1962. There was also a discussion of a question that Mr. Hall raised as to whether he might be ineligible for reappointment to a second term when his present term expires at the end of 1964 on the grounds either of age or of his ceasing to be an active officer in a business concern. At Chairman Martin's suggestion, it was the consensus that the Board should proceed on the assumption that Mr. Hall would be eligible for reappointment as a Class C director if that otherwise seemed desirable, even though he might cease to occupy his present position as President of the Kroger Company of Cincinnati.

There was also a discussion of a suggestion that Chairman Hall had made regarding steps that might be taken to bring directors

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of branches of Federal Reserve Banks more actively into discussions of Federal Reserve matters. While no specific conclusions were reached, interest was expressed in a suggestion by Governor Mills that careful selection and training of Vice Presidents in charge of Federal Reserve Bank branches and provision of assistants who have broad training in economics and policy matters might help in causing directors of Federal Reserve branches to participate more actively in System affairs.

The meeting then adjourned.

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

Item No. 8) Letter to the Federal Reserve Bank of New York (attached) approving the appointment of Gary R. Morgan as assistant examiner.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Salary increase

M. Patricia McShane, Training Assistant, Division of Examinations, from \$6,345 to \$6,600 per annum, effective April 29, 1962.

Transfer

Iola B. Morgan, from the position of Secretary to the position of Training Technician in the Division of Examinations, with no change in basic annual salary at the rate of \$5,820, effective April 29, 1962.

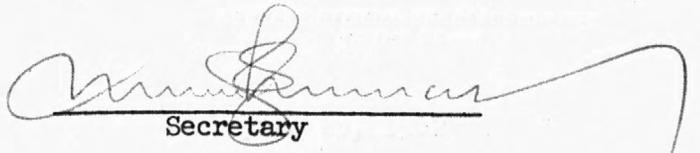
Permission for outside activities

Theodore L. Jones, Cafeteria Laborer, Division of Administrative Services, to work part time as a gasoline station attendant.

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Permission for outside activities (continued)

Walter Jordan, Jr., Cafeteria Laborer, Division of Administrative Services, to work part time as a restaurant porter.


Secretary

Mr. Aubrey H. ...
First Vice President
Federal Assn. ...
Richmond 13, Virginia

Dear Mr. ...

This letter is your letter of ...
reference of a ...
Richmond, Virginia ...
received for the ...

In ...
circumstances which involve:

- (1) A ...
- (2) The ...
- (3) A ...
- (4) In ...

By ...
Date ...
April 25, 1962

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

Item No. 1
4/25/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1962

Mr. Aubrey N. Heflin,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Heflin:

This refers to your letter of April 10 recommending the waiver of a penalty of \$753.72 incurred by the Mountain Trust Bank, Roanoke, Virginia, for a deficiency of 17.5 per cent in its required reserves for the biweekly computation period ended April 4.

It is noted that the deficiency resulted from a series of circumstances which involved--

- (1) A \$400,178.14 payment for a cash letter, which should have been charged against the reserve account of the Mountain Trust Bank, being erroneously charged by the Reserve Bank on March 22 against the account of another member bank.
- (2) The failure to discover the error by any of the parties concerned until it was brought to the Reserve Bank's attention on April 4 by the bank whose account had been improperly charged.
- (3) A lack of care on the part of the Mountain Trust Bank in checking the daily statements furnished to it by the Reserve Bank.
- (4) Insufficient time, once the error had been discovered, to permit the Mountain Trust Bank to build up its reserve account high enough to offset the deficiency.

In view of the underlying circumstances and of the part played by the Reserve Bank in the matter, the Board authorizes your Bank to waive assessment of the penalty of \$753.72 for the period ended April 4, 1962.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
4/25/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1962

Board of Directors,
Cherokee State Bank,
Cherokee, Iowa.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Cherokee State Bank of \$63,000 for the purpose of completing the erection of a new bank building. This approval is in addition to \$180,000 approved by the Board of Governors on April 4, 1961.

It is understood that the amount of the investment in excess of \$180,000 will be charged off.

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. 3
4/25/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1962

Board of Directors,
Commercial Security Bank,
Ogden, Utah.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Commercial Security Bank at approximately 3700 Wall Avenue, South Ogden, Utah, provided the branch is established within one year from the date of this letter.

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. 4
4/25/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 25, 1962

Board of Directors,
Walker Bank & Trust Company,
Salt Lake City, Utah.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Walker Bank & Trust Company in the vicinity of 3500 South Street and 2800 West Street, Granger, Salt Lake County, Utah, provided the branch is established within one year from the date of this letter.

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. 5
4/25/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1962



Board of Directors,
Union Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to April 26, 1963, the time within which Union Bank may establish a branch in the vicinity of the intersection of First Avenue and "A" Street, San Diego, California. The Board feels that definite steps looking toward establishment of the proposed branch should be taken prior to the expiration of the extension of time.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

Item No. 1861
4/25/62

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

April 25, 1962

SCOTT - KANSAS CITY

KEBJE

- A. First Colorado Bankshares, Inc., Englewood, Colorado.
- B. The First National Bank of Englewood, Englewood, Colorado
Lakeside National Bank, Lakeside, Colorado.
- C. Prior to issuance of permit authorized herein, Applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).
(Signed) Elizabeth L. Carmichael

CARMICHAEL

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
4/25/62

OFFICE OF THE CHAIRMAN

April 25, 1962

Mr. Lee Loevinger,
Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

Dear Judge Loevinger:

You will recall that at one of our luncheons there was discussion of the arrangement, followed since the Board's letter of August 3, 1960, to Mr. Bicks, by which copies of the Board's reports on competitive factors in bank merger cases are sent to you when the cases have been decided by the deciding agency. You indicated that it would be helpful to you to receive these copies earlier.

The Board has reviewed this matter and hereafter copies of these reports will be sent to you when the reports are sent to the deciding agencies.

With all good wishes,

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 8
4/25/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1962



Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of April 20, 1962, the Board approves the appointment of Gary R. Morgan as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.