Minutes for June 20, 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 Wednesday, June 20, 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Benner, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Potter, Senior Attorney, Legal Division
Mr. Partee, Chief, Capital Markets Section, Division of Research and Statistics
Mrs. Ulrey, Economist, Division of Research and Statistics
Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Report on competitive factors (Roanoke, Virginia). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Colonial-American National Bank of Roanoke, Roanoke, Virginia, into The First National Exchange Bank of Roanoke.

During discussion, Governor Robertson suggested the deletion of certain language in the conclusion and also in the body of the report to the effect that the elimination of the second largest bank in Roanoke as a competitive unit by merger with the largest bank might improve the prospects of other banks in the Roanoke area. In his view, such a statement could not be substantiated and gave an erroneous impression.

Governor Shepardson commented that in similar situations in the past, he thought the Board had accepted the validity of a statement that when larger banks merged the remaining smaller banks might benefit. It was contended, as he recalled, that they could build on the trade of people who preferred to deal with smaller banks. He questioned whether the Board would not be changing its position, with resulting inconsistency, if Governor Robertson's suggestions were adopted.

Mr. Solomon commented that the tendency for smaller banks to benefit when larger banks in an area merged might be greater when the bank eliminated as an independent unit was taken over by an out-of-town organization.

After further discussion, the report was <u>approved</u>, with the changes suggested, for transmission to the Comptroller of the Currency. Although Governor Shepardson did not dissent from this action, he reiterated his reservations from the standpoint of consistency of the Board's position.

The conclusion of the report, as approved, read as follows:

First National Bank and Colonial-American National Bank are competitive banks and the proposed merger would eliminate a substantial degree of competition in and around Roanoke. It does not appear that it would have adverse effects on other banks in the area, but it would effect an important concentration of banking resources in one institution.

It is concluded that the proposed merger would result in a substantial reduction of competition and that such effects would be adverse to the public interest.

Application of United California Bank (Items 1, 2, and 3). Pursuant to the decision reached by majority vote at the meeting on June 11, 1962, there had been distributed a draft of order and statement reflecting the Board's denial of the application of United California Bank, Los Angeles, California, to merge with The First National Bank of Vista, Vista, California. A dissenting statement also had been distributed.

After a discussion during which a minor change in the wording of the statement insofar as it related to the capital position of United California Bank was agreed upon, the issuance of the order and statement was authorized subject to such change being made. Copies of the order and statement, as issued, are attached as Items 1 and 2. A copy of the dissenting statement by Chairman Martin and Governor Shepardson is attached as Item No. 3.

Messrs. Shay and McClintock then withdrew.

Nonpurpose loans (Item No. 4). At its meeting on June 15, 1962, the Board discussed a telegram sent to Chairman Martin and to all Reserve Bank Presidents by Nate White, Editor of the American Banker, New York, New York. In the telegram, Mr. White stated that his paper continued to receive many allegations that the Federal Reserve System was negligent in permitting wholesale evasion of Regulation U (Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks), leading directly to the use of nonpurpose loans to finance stock market speculation. Mr. White asked evidence that the Federal Reserve had been diligent in policing the use of nonpurpose loans, or information about any plans to prevent future abuse of such loans. After discussion, the Board asked all Reserve Bank Presidents by wire to withhold response to Mr. White's inquiry pending determination as to an appropriate System reply.

There had been distributed a draft dated June 19, 1962, of a reply to Mr. White.

After discussion, during which certain minor changes in the draft were agreed upon, the letter was approved unanimously subject to those changes being made, with the understanding that the Reserve Bank Presidents would be advised of its content. A copy of the letter, as sent, is attached as Item No. 4.

Stock market data. Mr. Partee referred to a special study being made by the Securities and Exchange Commission of the stock market break that occurred in the week of May 28, 1962. In this connection, the Commission planned to obtain information on the incidence of margin calls by various classes of lenders - brokers, banks, and unregulated lenders. For purposes of the study, the Commission had developed a somewhat elaborate questionnaire. It had been learned that the Commission was planning to ask the Federal Reserve to carry out the part of the study involving margin calls by banks, through formal request if necessary.

In response to an inquiry by Governor Robertson as to whether there was any reason why the Federal Reserve should not obtain the information, Mr. Partee responded that there might be some danger of confusing this study with the Federal Reserve survey of purpose and nonpurpose loans that was being gotten under way.

Governor Robertson then asked if the margin calls study could not be conducted informally by the Federal Reserve Banks, to which the response was made that it probably could, although the task confronting the banks selected for the study would be fairly substantial if a questionnaire such as the one developed by the Commission were used. Further comments indicated that asking Federal Reserve Banks (only several of which would be involved) to gather the data in the manner suggested might enable the study to be completed quickly enough to avoid confusion with the forthcoming broader survey. Also, the Federal Reserve could develop its own questionnaire.

After further discussion, it was agreed to proceed with the survey of margin calls by banks at the initiative of the Federal Reserve.

Mr. Partee, Mr. Potter, and Mrs. Ulrey then withdrew.

Midyear reports of income and dividends (Item No. 5). At its meeting on April 18, 1962, the Board discussed the decision by the Comptroller of the Currency to discontinue midyear reports by national banks of income and dividends. The Board requested its staff to explore the reasons for and against the collection of these data on a sample basis from member banks, and in a letter dated April 20, 1962, the Federal Reserve Banks were asked for their views on that question.

There had been distributed a memorandum dated June 15, 1962, from Messrs. Holland and Conkling, to which was attached a summary dealing with the uses made of the midyear income and dividends reports at the Reserve Banks and the Board, the needs of other Government agencies, and the responsibility to provide statistics to serve demonstrated public needs. After analysis of that information, the Divisions of Research and Statistics and Bank Operations concurred in recommending that:

(1) No unilateral attempt be made by the Board to obtain midyear 1962 reports of income and dividends from member banks.

(2) The Office of Statistical Standards of the Bureau of the Budget be informed of the present situation. (A draft of letter for that purpose was attached to the memorandum.)

(3) If the Office of Statistical Standards should request resumption of interim reports of income and dividends, the Board should stand ready, in cooperation with that Office and the Office of the Comptroller of the Currency, and possibly also the Federal Deposit Insurance Corporation, to carry forward a suitably integrated

program for collection of such data. The content and coverage of the reports would be determined after consideration of essential data needs and reporting feasibility, but the present consensus would suggest a condensed form of reporting by all member banks.

(4) Regardless of the present attitude of the Office of Statistical Standards and the other Federal bank supervisory agencies, the Board should reconsider the matter in the spring of 1963 if needs for interim bank earnings reports from all member banks then appeared to be urgent.

After a discussion during which Messrs. Conkling and Holland commented on the moderate use made of the midyear income and dividends data within the Federal Reserve System, there was general agreement that the recommendations made in the memorandum should be accepted, and the letter to the Office of Statistical Standards of the Bureau of the Budget was approved unanimously. A copy of the letter is attached as Item No. 5. It was understood that copies of the letter would be furnished to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Presidents of the Federal Reserve Banks, the latter also to be sent the staff memorandum.

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

Assistance to Central Bank of Colombia (Item No. 6). Following the meeting Governor Shepardson informed the Secretary that during the executive session the Board approved the sending of a letter to the Banco de la Republica, Bogota, Colombia, in the form of attached Item No. 6, stating in response to a request made by that bank for assistance in connection with organizational matters, that the Federal Reserve Bank of Minneapolis was prepared to make available Mr. John A. MacDonald, Assistant Cashier of that Bank, for a period of approximately three months for such an assignment if the Banco de la Republica desired to go forward with such an arrangement.

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 June 19, 1962, the following actions relating to the Board's staff:

Salary increase

Jerry B. Riley, Federal Reserve Examiner, Division of Examinations, from $8,600 to $8,955 per annum, effective June 24, 1962.

Permission for outside activities

Boris C. Swerling, Senior Economist in the Division of International Finance, to continue his affiliation with Stanford University, Stanford, California, until August 31, 1962, the end of the current academic year.

Barbara Carole Passell, Secretary in the Division of International Finance, to engage in work as a jewelry saleswoman for Sarah Coventry, Inc. during evenings and weekends.

Governor Shepardson noted on behalf of the Board on June 19, 1962, a memorandum advising that the application for retirement filed by Ruth A. Westergren, Supervisor of the Personnel Records Unit, Division of Personnel Administration, had been approved by the Retirement System of the Federal Reserve Banks, effective July 14, 1962.

Secretary

Item No. 1
6/20/62

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
UNITED CALIFORNIA BANK
for approval of merger with
The First National Bank of Vista

ORDER DENYING APPLICATION FOR APPROVAL OF MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by United California Bank, Los Angeles, California, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of The First National Bank of Vista, Vista, California, with and into United California Bank, under the charter and title of the latter. Notice of the proposed merger, in form approved by the Board, was published pursuant to said Act.

Upon consideration of all relevant materials in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the competitive factors involved in the proposed merger and the information received at and in connection with the public proceeding which was ordered in this matter (27 Federal Register 4601) pursuant to the Board's Rules of Procedure (12 C.F.R. 262.2(f)(3)),

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is denied.

Dated at Washington, D. C., this 20th day of June, 1962.

By order of the Board of Governors.

Voting for this action: Governors Balderston, Mills, and Robertson.

Voting against this action: Chairman Martin and Governor Shepardson.

Absent and not voting: Governors King and Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION BY UNITED CALIFORNIA BANK
FOR APPROVAL OF MERGER WITH THE FIRST NATIONAL BANK OF VISTA

STATEMENT

United California Bank, Los Angeles, California ("United"), with deposits of about $2,150 million, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The First National Bank of Vista, Vista, California ("First National"), with deposits of about $12.3 million. Under the Agreement and Plan of Merger the banks would merge under the charter and title of United. The application and Agreement contemplate that the two offices of First National would become branches of United, increasing from 139 to 141 the total offices operated by that bank.

To assist the Board in its consideration of the matter, a public proceeding in the form of an oral presentation before members of the Board pursuant to section 262.2(f)(3) of its Rules of Procedure was ordered and conducted on the application (27 Federal Register 4601), at which representatives of United and First National appeared and presented views and other data in support of the application. There were no other appearances or requests to appear at the proceeding.

Under the law, the Board is required to consider (1) the financial history and condition of each of the banks involved, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S. Code, Ch. 16 (Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial history and condition of both banks are satisfactory. The actual or planned capital structure of each bank is reasonably adequate. Both banks have favorable future earnings prospects. The same should hold true for the resulting bank, which would be under the satisfactory management of United. The management of First National also is satisfactory, although it is urged in support of the proposal that the bank is facing a need for management caliber personnel which would be met by consummation of the merger. However, it has not been established to the Board's satisfaction that qualified management personnel that may be needed cannot be obtained from the bank's present personnel or from outside sources. There is no indication that the corporate powers of the banks are or would be inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Vista, California (population about 15,000), is an unincorporated community about 43 miles north of the city of San Diego and 10 miles inland from the coastal city of Oceanside. First National's primary service area--the area from which it derives 75 per cent or more of its deposits of individuals, partnerships, and corporations ("IPC deposits")--has a population of about 35,000, lies within the northwestern portion of San Diego County, and extends approximately 7-1/2 miles north, 17-1/2 miles northeast, 7 miles southeast, 5-1/2 miles south, and 3 miles west of Vista. This area includes no incorporated towns and no major shopping points, other than Vista. The economy is chiefly agricultural with several light manufacturing firms operating in the area. Future growth prospects of the Vista area are favorable, and further residential and industrial development is anticipated.

With the exception of trust services, First National offers the normal complement of banking services typical of banks of its size. The bank's one branch is also in Vista. The other banking office located in First National's primary service area is the Vista branch of Security First National Bank, Los Angeles (total deposits about $3.7 billion). Between 1954 and the end of 1961, First National's deposits increased $5 million and deposits of Security First National Bank's Vista branch (established in 1954) increased $7 million.

Trust services and credits in excess of First National's lending limit of about $88,500 are available to the residents of the Vista area at the Vista branch of Security First National Bank and at a number of offices of other banks competing within but located outside of First National's primary service area. The offices of these other banks, all within a radius of 14 miles of Vista, include the Carlsbad, Escondido, and Oceanside Branches of Security First National Bank; the Escondido, Fallbrook, and Oceanside Branches of Bank of America N.T. & S.A. (deposits about $11,475 million); the Escondido and Oceanside Branches of The First National Trust and Savings Bank, San Diego (deposits about $258 million); and the Bank of Fallbrook, Fallbrook (deposits about $1.3 million).

The Board is not satisfied that the banking needs of the area are not now being adequately met, or will not be met in the future, by the banks operating in or serving the area, except possibly in isolated instances. Nor is it clear that First National, as a unit bank, will not be able to grow and expand its facilities commensurate with the future growth and needs of the area. To meet the growth of the area First National has increased its capital from time to time, and the bank's branch was established in 1961. The continuance of First National as a sound and profitable alternative source of banking service should not be obstructed seriously by its relatively low loan limit. Such demands as may arise for credit in excess of the bank's lending limit can be met, as indicated above, by other banks or through participations with banks that are correspondents of First National.

Competition. - United (a subsidiary of Western Bancorporation, a registered bank holding company) is the fourth largest commercial bank in California, holding about 8 per cent of the deposits of all such banks in the State. It is one of three banks operating extensive branch systems in California, having offices in half of the State's 58 counties. United's offices nearest to First National are 32 miles northwest at San Clemente and in downtown San Diego, 43 miles to the south. There appears to be virtually no competition between the two banks. Consummation of the merger would have no significant effect on United's competitive position in the State as a whole, and it would increase United's percentage of IPC deposits in San Diego County from a nominal amount to only about 2 per cent.

In support of the application it is urged that the proposal would provide through a branch of United in Vista more effective competition, especially with the Vista branch of Security First National Bank. However, in view of First National's growth record and its preponderance of local loan volume, it appears that First National has been able to compete effectively with that branch of Security First National Bank.

Furthermore, aside from First National, the only other unit bank in San Diego County is the Bank of Fallbrook, Fallbrook, 14 miles north of Vista. This bank, established in 1961, is the smallest of the five banks located outside of but competing in the primary service area of First National, holding 1.7 per cent of the deposits and 2.4 per cent of loans of banks in that area. As the only other banking office in First National's primary service area is the Vista branch of Security First National Bank, consummation of the proposed merger would, in large measure, deprive customers of First National and other residents of the area of the opportunity of choosing between a local unit bank and a branch of a large branch banking organization.

If approved, the transaction also would continue or give impetus to a trend of concentration in the State through mergers of banking resources in large branch systems, tending adversely to affect potential competition in the field of banking.

Summary and conclusion. - While the proposed merger would be a means of solving such problem of management succession as First National may have and of providing a broader range of banking services than those now provided by that bank, it is not clear that First National, as a unit bank, cannot remedy its problem of management succession and expand its services in a manner commensurate with the growth of its area, or that the area lacks adequate banking facilities. While the proposed merger might intensify competition, it would eliminate the only unit bank in the Vista community. Thus, it would have an adverse effect on potential banking competition in that community as well as in the surrounding area. These considerations outweigh any benefits that might be expected to result from the merger.

Accordingly, the Board is unable to find that the proposed merger would be in the public interest.

June 20, 1962.

Item No. 3
6/20/62

DISSENTING STATEMENT OF CHAIRMAN MARTIN

AND GOVERNOR SHEPARDSON

In our judgment - and we recognize that in matters of this kind judgments may reasonably differ - a balancing of the considerations relevant to the statutory factors leads to the conclusion that this application should be approved.

It is conceded by the majority of the Board that the proposed merger would not significantly lessen banking competition in the area concerned. It would, of course, eliminate a unit bank and might therefore be regarded as lending impetus to the trend toward concentration of banking resources in a few large branch banking systems in the State of California. We would not wish to encourage that trend. Nevertheless, we think that this rather general assumption of a potentially adverse effect upon competition is outweighed by what appear to us to be favorable considerations in the particular circumstances here presented.

The record on this application, including the oral presentation before the Board, indicates that The First National Bank of Vista, while a sound institution, is faced with a real problem of obtaining competent personnel at the senior management level. The President of the Bank, who is over 80, has indicated his intention to retire. There appears to be no question as to the ability of his son, who is now Executive Vice President, to head the Bank. However, efforts to obtain additional management personnel have proved unsuccessful so far, apparently because experienced officers of larger banks are reluctant to accept employment with a smaller bank in view of the limited opportunities for advancement and the loss of retirement benefits.

The record also indicates that the Vista area in which First National is located is a developing area in which further residential and industrial growth can reasonably be anticipated; that, because of its relatively low lending limit, First National has been unable on a number of occasions to meet credit needs of its customers; and that, because it has not been considered profitable to establish a trust department, the Bank has not been able to meet a substantial demand for fiduciary services.

At the oral presentation before the Board, the President of the Bank expressed his belief that it could no longer grow as an independent bank. Acquisition of the Bank by United California Bank would not appear to affect adversely the competitive position of the remaining unit bank competing in the Vista area; whereas the transaction would tend to increase competition, through broader banking services, with the second largest bank in the State, which has a branch in the area.

For these reasons, we believe that the proposed merger would be in the public interest and should be approved.

June 20, 1962.

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

Item No. 4
6/20/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 20, 1962.

Mr. Nate White, Editor,
American Banker,
32 Stone Street,
New York 4, New York.

Dear Mr. White:

This is in response to telegrams sent by you on June 15 to the Chairman of the Board of Governors and to the Presidents of the Federal Reserve Banks in which you speak of "allegations that the Federal Reserve System is negligent in permitting wholesale evasion of Regulation U leading directly to use of non-purpose loans to finance stock market speculation" and express your expectation that such charges "will continue, perhaps intensify."

Since willful violations of the character charged in the quoted assertions are criminal offenses, and bankers found guilty thereof would be punishable by fines of up to $10,000 and imprisonment for as much as two years, the allegations you set out are serious ones, and the Board would welcome any substantiation available to you.

Where a bank makes a loan collateralized by stocks without requiring the margin specified by Regulation U, it is the responsibility of the bank to determine that the purpose of the loan is NOT to purchase or carry a registered stock.

In making that determination, Regulation U stipulates in Section 221.3(a) that the bank may rely upon a statement from the prospective borrower ". . . only if such statement

"(1) is signed by the borrower;

"(2) is accepted in good faith and signed by an officer of the bank as having been so accepted; and

"(3) if it merely states what is not the purpose of the loan, is supported by a memorandum or notation of the lending officer describing the purpose of the loan.

"To accept the statement in good faith, the officer must be alert to the circumstances surrounding the loan and the borrower and must have no information which would put a prudent man upon inquiry and if investigated with reasonable diligence would lead to the discovery of the falsity of the statement."

Furthermore, these loans are subject to examination, like all bank loans, and the examination proceduresof the Federal Reserve Banks, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and State bank supervisory agencies regularly include a review of loans to check for compliance with the provisions of Regulation U. The findings of these examiners do not substantiate the allegations in your wire of "wholesale evasion" of the Regulation.

Banks make loans for a wide variety of purposes where securities—including corporate stock—are pledged as collateral, but which by law are exempt from margin regulations because they are not "made for the purpose of purchasing or carrying securities registered on national securities exchanges." It is only in the case of loans for the purpose of purchasing or carrying registered securities that the Board is authorized by Section 7(d) of the Securities Exchange Act of 1934 to impose upon banks "limitations similar to those imposed upon members, brokers, or dealers by subsection (c) of this section and the rules and regulations thereunder."

From time to time the Board has strengthened substantially the provisions of both Regulations T and U. Within the past three years, the retention requirements on undermargined accounts were made more restrictive; the use of purpose statements by borrowers from banks under Regulation U was further circumscribed; and loans by banks to persons or firms (other than brokers or dealers) engaged in the business of extending stock market credit were made subject to the provisions of Regulation U even if those loans are not secured.

It should be noted that whether calls are made for additional collateral on any outstanding bank loan secured by stock is a matter governed not by Regulation U but by the discretion and judgment of the lending bank, regardless of whether the loan was obtained for a stock market transaction or for some wholly different purpose. "Nonpurpose" loans are often made on lower margins than would be required for loans subject to Regulation U, and to that extent they may be more vulnerable to calls for additional collateral in the event of a shrinkage in the original collateral value.

Very truly yours,

Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 5
6/20/62

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 20, 1962.

Mr. David Cohn, Clearance Officer,
Office of Statistical Standards,
Bureau of the Budget,
Executive Office of the President,
Washington 25, D. C.

Dear Mr. Cohn:

In April 1962 the Board was advised that the Office of the Comptroller of the Currency had decided to eliminate the midyear report of income and dividends of national banks beginning with the current year. Attached is a copy of the Comptroller's letter of April 16 to all national banks advising them of this action.

In the circumstances, the Board decided that it was not worthwhile to collect the comparable reports from State member banks alone and requested its staff to explore the reasons for and against the collection of such data from member banks.

The Board is aware that the Federal Advisory Committee on Banking has, in communications with your Office and in meetings with representatives of the Federal bank supervisory agencies, recommended the elimination of this midyear report, and it is also aware of similar feelings in some parts of the Federal Reserve System.

However, the Board is of the opinion that the needs of all agencies of Government and of the public at large should be considered in arriving at a decision concerning continuation of this statistical series. For example, with respect to bank earnings, the Office of Business Economics of the Department of Commerce publishes a quarterly series on corporate profits in which bank earnings figures are used. If midyear earnings of banks are not collected, banking, along with trade and services, would be the only business groups for which an earnings series on a quarterly or semiannual basis is not available.

The Board would appreciate it if your Office would consider the matter and give it the benefit of your views. The Board stands ready, in cooperation with your Office and the Federal bank supervisory agencies, to carry forward a suitably integrated program for collection of some form of interim bank earnings reports, if such a program is deemed to be a valuable public service. The frequency, kind, and coverage of any such reports should be determined after consideration of essential data needs and reporting feasibility; the present consensus within the System would suggest that any continuation of the series should consist of a condensed form of reporting by all member banks.

Copies of this letter are being forwarded to the Office of the Comptroller of the Currency and to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

Item No. 6
6/20/62

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1962.

AIR MAIL

Mr. Eduardo Arias Robledo,
General Manager,
Banco de la Republica,
Bogota, Colombia.

Dear Mr. Arias Robledo:

Mr. Horace L. Sanford, Vice President of the Federal Reserve Bank of New York, has referred to the Board your letter of May 28, 1962, regarding the possibility of providing someone who might be able to go to Bogota to consult with your Bank regarding organizational matters. Mr. Sanford has also sent the Board a copy of his letter of June 14 informing you that the New York Bank does not at present have anyone available for such an assignment.

Your letter has been brought to the attention of some of the other Federal Reserve Banks with the thought that one of them might be able to provide assistance such as you seek. Mr. Frederick L. Deming, President of the Federal Reserve Bank of Minneapolis, has indicated informally that Mr. John A. MacDonald, Assistant Cashier of that Bank, probably would be available for such an assignment beginning about the middle of September.

Mr. MacDonald has been with the Federal Reserve Bank of Minneapolis since 1937 and has served the Bank in various capacities, including that of Head of the Research Department and, presently, of the Planning Department of the Bank. He has had a broad experience in both economic and administrative aspects of central banking and, while not fluent in the language, has a working knowledge of Spanish. Mr. Deming feels that he would be able to make a contribution to the solution of problems related to organization and methods in your Bank.

If you are interested in the services of Mr. MacDonald for this purpose, we shall be glad to take the matter up officially with the board of directors of the Federal Reserve Bank of Minneapolis. It seems probable that the Reserve Bank would be willing to make Mr. MacDonald's services available for as long as three months on a basis whereby the Reserve Bank would absorb his salary expense and retirement system contributions, while it would ask your Bank to make reimbursement for transportation and other travel expenses involved. If you should desire such an arrangement, Mr. MacDonald would no doubt wish to have his wife accompany him to Bogota.

Should you so desire, the Board will be glad to present to the Minneapolis Reserve Bank a request for the services of Mr. MacDonald, it being understood that detailed arrangments thereafter would be made by you directly with that Bank.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.