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Minutes for July 17, 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

RM

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, July 17, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Johnson, Director, Division of Personnel Administration  
Mr. Harris, Coordinator of Defense Planning  
Mr. Hexter, Assistant General Counsel  
Mr. Masters, Associate Director, Division of Examinations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mrs. Semia, Technical Assistant, Office of the Secretary  
Mr. Hill, Attorney, Legal Division

Ratification of actions taken. The actions taken by the available members of the Board at a meeting on Friday, July 13, 1962, were ratified unanimously. The actions so ratified are set forth in the minutes of that meeting.

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on July 13, 1962, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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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:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of New York interposing no objection to an extension of leave of absence with pay to Assistant Vice President Holmes to serve as personal assistant to the Under Secretary of the Treasury for Monetary Affairs.	1
Telegram to the Federal Reserve Bank of Cleveland interposing no objection to the rental, under purchase option, of National Cash Register electronic check processing equipment at the head office and Burroughs B-270 equipment at the Cincinnati and Pittsburgh Branches.	2
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's electricians at specified rates.	3
Letter to Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, noting that the Bank paid a \$2 million capital subscription to the stock of Continental International Banking Corporation on November 26, 1961, and that the bulk of these funds were invested in United States Treasury bills on that date.	4
Letter to Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, noting that the Bank paid a \$2 million capital subscription to the stock of Continental International Finance Corporation on November 26, 1961, and that the bulk of these funds were invested in short-term United States Treasury securities on that date.	5

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Item No.

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Letter to the Federal Reserve Bank of St. Louis regarding the applicability of the Clayton Act to interlocking directorates of First National Bank in St. Louis and St. Louis Union Trust Company, both of St. Louis, Missouri.

Messrs. Johnson, Goodman, and Hill then withdrew.

Defense planning. Governor Robertson reported that the Federal Reserve Bank of Richmond was facing a need to provide space for its present and future operations, which raised a question from the standpoint of the space provided by the Bank for the Board's emergency operations and, in turn, whether the Board should establish a different relocation center for such operations, perhaps in conjunction with the Richmond Bank. If so, that might require a number of full-time employees, for among other things the regular operation of the switching center of the Federal Reserve Leased Wire System would be involved.

Following a general discussion of considerations pertinent to the selection of a Board relocation center, and of the extent to which the Board's and the Richmond Reserve Bank's problems meshed, it was agreed that a committee comprised of Mr. Harris, Mr. Farrell (or someone designated by him), and Mr. Kelleher, Director, Division of Administrative Services, (or someone designated by him) would explore on behalf of the Board the various aspects of the relocation center problem. It was understood that the committee would keep advised of studies being pursued by the Federal Reserve Bank of Richmond, that it

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would consult with other Federal Reserve Banks to whatever extent seemed useful, and that the committee would then present recommendations to the Board.

The meeting then adjourned.

Secretary's Notes: On July 16, 1962, Governor Robertson, acting in the absence of Governor Shepardson, approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Richmond (attached Item No. 7) approving the designation of Harold T. Lipscomb as special assistant examiner.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 8) approving the appointment of William E. Ruddy as assistant examiner.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a letter to the Federal Reserve Bank of St. Louis (attached Item No. 9) approving the appointment of Floyd A. Cain as assistant examiner.

  
Secretary

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

Item No. 1  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962



CONFIDENTIAL (FR)

Mr. Thomas M. Timlen, Jr.,  
Secretary,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Timlen:

Thank you for your letter of July 5, 1962, advising that the Board of Directors had granted an extension of leave of absence with pay to Mr. Alan R. Holmes, Assistant Vice President, to serve as personal assistant to Under Secretary of the Treasury Robert V. Roosa, for the period beginning July 8 and terminating on or about September 8, 1962.

It is noted that the Bank will continue to assume expenses incurred by Mr. Holmes including travel, hotel, and subsistence expenses, to the extent such expenses are not assumed by the Treasury Department.

The Board of Governors interposes no objection to the extension of arrangements with respect to Mr. Holmes, as described in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

**TELEGRAM**  
LEASED WIRE SERVICE

Item No. 2  
7/17/62

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

July 17, 1962

Thompson - Cleveland

Board interposes no objection to rental of electronic  
check processing equipment referred to in urlet June 18, 1962.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 3  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962

CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Newman:

The Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the incumbents of the positions shown below at the rates indicated, effective July 1, 1962, in accordance with the request contained in your letter of July 5:

<u>Title</u>	<u>Annual Salary</u>
Head Electrician	\$9,776.00
Electrician	8,798.40

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 4  
7/17/62



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962

Mr. John H. Perkins, Vice President,  
Continental Illinois National Bank  
and Trust Company of Chicago,  
231 South LaSalle Street,  
Chicago 90, Illinois.

Dear Mr. Perkins:

This will acknowledge your letter of June 29, 1962,  
transmitted through the Federal Reserve Bank of New York, regarding  
the date Continental International Banking Corporation ("CIBC")  
commenced business.

In a letter dated January 4, 1962, Vice Chairman Anderson  
of CIBC advised that CIBC commenced business on January 2, 1962,  
and the Board's K.3 announcement for the week ended January 13, 1962  
reported that CIBC opened for business effective January 2, 1962.

The Board has noted that, following the receipt on  
November 22, 1961 of the Board's Preliminary Permit to CIBC dated  
November 15, 1961, on November 26, 1961 your bank paid in the  
\$2,000,000 capital subscription to the stock of CIBC. (The Board's  
"Permit to Begin Business" was issued to CIBC on December 6, 1961.)  
The Board has also noted, without objection, that the bulk of these  
funds were invested on November 26, 1961 in United States Treasury  
bills.

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. 5  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962

Mr. John H. Perkins,  
Vice President,  
Continental Illinois National Bank  
and Trust Company of Chicago,  
231 South LaSalle Street,  
Chicago 90, Illinois.

Dear Mr. Perkins:

This will acknowledge your letter of June 29, 1962, transmitted through the Federal Reserve Bank of Chicago, advising that Continental International Finance Corporation ("CIFC") commenced business as of June 28, 1962.

The Board has noted that, following the receipt on November 22, 1961 of the Board's Preliminary Permit to CIFC dated November 15, 1961, on November 26, 1961 your bank paid in the \$2,000,000 capital subscription to the stock of CIFC. (The Board's "Permit to Begin Business" was issued to CIFC on December 6, 1961.) The Board has also noted, without objection, that the bulk of these funds were invested on November 26, 1961 in short-term United States Treasury securities.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 6  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962

Mr. O. O. Wyrick, Vice President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Wyrick:

This refers to your letter of June 12, 1962, with attachments, raising the question as to the applicability of the Clayton Act to the interlocking directorates of the First National Bank in St. Louis ("First National") and the St. Louis Union Trust Company ("Union Trust").

The Board understands that Union Trust accepts no deposits except in a fiduciary relationship but that First National is now exercising a few functions that are of a fiduciary nature. It seems that the most recent examination of the trust department of the bank, which was May 7, 1962, disclosed these functions to be that (1) it is serving without fee as Trustee, Paying Agent, Registrar and Depositary under Agreement with the Board of Trustees of Westminster College, for certain bond issues; (2) it is Trustee under an agreement with two persons for the purpose of holding legal title to certain real estate; (3) it is Fiscal and Paying Agent, Registrar and Depositary of certain bonds for the St. Louis Housing Authority and the Housing Authority of the City of Kinloch; and (4) it is Registrar in fifteen instances for stock of other corporations.

The Board takes note that Union Trust is disqualified by law or by rules of the New York Stock Exchange from taking a number of these accounts and that the trust activities performed by First National seem to be so limited in volume as to be insignificant. Thus, the Board feels that exception (6) to section 8 of the Clayton Antitrust Act, which permits a member bank of the Federal Reserve System to have directors in common with "a bank, banking association, savings bank, or trust company not engaged in a class or classes of business in which such member bank is engaged", is applicable, and that, therefore, the common directors of First National and Union Trust may continue to serve both financial institutions.

You are requested to inform the inquiring bank of the Board's conclusion. It should also be made clear that any material change in the factual situation above described may require a reconsideration of the matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 7  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of July 11, 1962, the Board approves the designation of Harold T. Lipscomb as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except The Bank of Virginia, Richmond, Virginia.

The authorization heretofore given your Bank to designate Mr. Lipscomb as a special assistant examiner is hereby canceled.

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. 8  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 17, 1962

CONFIDENTIAL (FR)

Mr. Leland Ross, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of July 10, 1962, the Board approves the appointment of William E. Ruddy as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Ruddy is indebted to, and owns four shares of stock of, Security Bank, Lincoln Park, Michigan, a State member bank. Accordingly, the Board's approval of the appointment of Mr. Ruddy is given with the understanding that he will not participate in any examination of Security Bank so long as he is indebted to, or owns stock of, that institution.

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. 9  
7/17/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 18, 1962

CONFIDENTIAL (FR)

Mr. O. O. Wyrick, Vice President,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Mr. Wyrick:

In accordance with the request contained in your letter of July 11, 1962, the Board approves the appointment of Floyd A. Cain as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

It is noted that Mr. Cain is indebted to Old National Bank of Centralia and to City National Bank, both located in Centralia, Illinois. Accordingly, the Board's approval of the appointment of Mr. Cain is given with the understanding that he will not participate in the examination of either bank to which indebted until that indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

