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 Tuesday, August 14, 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. Kenyon, Assistant Secretary Miss Carmichael, Assistant Secretary Mr. Young, Adviser to the Board and

Director, Division of International

Finance

Mr. Hackley, General Counsel

Mr. Noyes, Director, Division of Research and Statistics

Mr. Conkling, Assistant Director, Division of Bank Operations

Mr. Benner, Assistant Director, Division of Examinations

Mr. Langham, Chief, Call Report Section, Division of Bank Operations

Mr. McClintock, Supervisory Review
Examiner, Division of Examinations

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 approved unanimously:

	Item No.
Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving an extension of time to establish a branch at 255 East County Line Road, Warminster Township.	1
Letter to The Kraft State Bank, Menomonie, Wisconsin, waiving the requirement of six in the Federal Reserve System.	2

	Item No.
Letter to the Federal Deposit Insurance Corporation regarding the application of The Kraft State Bank, Menomonie, Wisconsin, for continuation of deposit insurance after Withdrawal from membership in the Federal Reserve System.	3
Letter to The Commercial and Savings Bank of Millersburg, Ohio, Millersburg, Ohio, approving an investment in bank premises.	4
Letter to Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, approving the establishment of a branch in Upper Darby Town- ship, Delaware County.	5
Letter to The Liberty Trust Company, Cumberland, Maryland, approving the establishment of a branch in Searstown Plaza, LaVale.	6

Letter to Comptroller regarding H. R. 7796 (Item No. 7). There had been distributed a draft of reply to a letter dated August 1, 1962, from the Comptroller of the Currency commenting on testimony by Chairman Martin before Subcommittee No. 1 of the House Banking and Currency Committee on July 19, 1962, with reference to H. R. 7796, which would amend section 24 of the Federal Reserve Act in order to liberalize lending limitations on real estate and construction loans of national Banks.

In his letter the Comptroller quoted the following statement of Chairman Martin relating to the provisions of the bill that would increase the alternative limit on real estate loans of national banks from 60 per cent of time and savings deposits to 70 per cent and questioned

the relevance of the development mentioned in the second sentence:

"Last year the Board reported to your Committee that it had no objection to this increase. The Board adheres to that view but desires to call your attention to the fact that in the interim there has been a considerable increase in time and savings deposits which may well reduce the need for relief in this form."

The draft of reply would state that although judgments might differ on whether the substantial growth in time and savings deposits during the past year was relevant to the necessity of a change in the percentage of such deposits national banks could hold in mortgages, that would not have excused the Board from mentioning a development so striking as the estimated increase of \$7 billion in time deposits at national banks in the past year, which had expanded by roughly billion the volume of mortgages national banks might hold under existing law. Also, although the Board expressed no objection to the proposed legislation, it felt obliged not to leave a Committee of the Congress with the impression that this was an urgent matter or that such legislation would have any appreciable effect on mortgage lending by banks in the near future.

After several changes in the proposed letter, principally to eliminate material considered unnecessary, had been suggested and agreed upon, a letter in the form attached as Item No. 7 was approved unanimously.

Mr. McClintock then withdrew from the meeting and Mr. Molony, Assistant to the Board, entered the room.

Request for statistical data (Item No. 8). There had been distributed a memorandum from Mr. Langham (Division of Bank Operations) and Mr. Wilson (Division of Administrative Services) dated August 7, 1962, regarding a request from a representative of the Business Equipment Manufacturers Association for a duplicate deck of punched cards covering data in the Board's publication entitled "Distribution of Bank Deposits by Counties and Standard Metropolitan Areas" as of June 1960. The privilege of obtaining such data for future dates was also requested. The memorandum outlined factors favoring both approval and disapproval of the request.

The Division of Administrative Services recommended that the request be denied, mainly because of a fear that compliance with the request might establish a precedent that could be troublesome in the future. A draft of letter reflecting this view was attached to the memorandum.

Also attached was an alternative draft that would state that inasmuch as relatively little machine time would be required to produce the data desired, the Board would be willing to furnish the cards as of June 15, 1960, and June 30, 1962, on a reimbursable basis.

In commenting on the request, Mr. Langham pointed out that the work could be done easily and quickly and that no confidential data were involved. The Board's decision in this instance might well furnish a basis for handling similar requests in the future.

Governor Shepardson remarked that it was his understanding that other Government agencies provided this type of service, and Mr. Langham confirmed that both the Bureau of the Census and the Bureau of Labor Statistics had indicated that requests of this nature were usually approved, on a reimbursable basis, by those bureaus. Also, a Budget Bureau statement in 1959 suggested favorable consideration of such requests, provided this did not interfere with the regular statistical program of the agency concerned.

Governor Shepardson then expressed the view that it would seem appropriate to try to accommodate requests of this kind when the data could be made available without great inconvenience.

Governor Mitchell likewise indicated that he would favor furnishing such data, on a reimbursable basis.

Mr. Conkling mentioned that although the request under consideration involved only a small amount of work, problems might arise in connection with requests that required a larger volume of work.

Governor Mitchell noted, however, that the question could always be presented to the Board in such event, following which Governor Shepardson commented that any Board jobs would of course have priority over outside work, which would have to be scheduled at a convenient time. Requests that interfered with the Board's regular work could either be rejected or deferred until they could be handled conveniently.

Mr. Langham suggested that the Board might wish to consider authorizing the staff to handle, on the basis suggested by the fore-going remarks, requests similar to the one under consideration, and Governor Shepardson said he thought that it would be desirable to authorize the staff, as a matter of policy, to meet such requests if they could be handled conveniently within the capacity of the Board's equipment.

After Chairman Martin had expressed a similar view, the letter to the representative of Business Equipment Manufacturers

Association indicating that the requested cards as of June 15, 1960, and June 30, 1962, would be furnished on a reimbursable basis was approved unanimously. A copy is attached as Item No. 8.

The staff was also authorized to comply, on a reimbursable basis, with similar requests that could be handled conveniently without interference to the Board's regular work.

Messrs. Conkling, Benner, and Langham then withdrew from the meeting and Messrs. Sammons, Adviser, and Irvine, Chief, Asia, Africa, and Latin America Section, Division of International Finance, entered the room.

Gold loan to Colombia (Item No. 9). A memorandum from Mr. Young dated August 13, 1962, with reference to a request from Banco de la Republica, Bogota, Colombia, for a gold loan had been distributed.

Bank of New York regarding the possibility of a gold loan of \$20 million to meet "specific occasional obligations." The Reserve Bank had responded that, having renewed for three months a \$15 million loan made to Colombia on December 20, 1961, and having made on February 28, 1962, an additional \$15 million loan for six months (maturing August 28), it considered that another loan of \$20 million would be a further deviation from usual gold loan policy. Banco de la Republica had replied that the additional loan was desired in order to avoid a sudden decrease in its gross international reserves.

Assurance was given the Reserve Bank that the \$15 million loan due August 28 would be paid at maturity.

The Colombian Ambassador to the United States had visited the New York Reserve Bank, supporting the request for a loan primarily on the basis of the need for stability in the country's reserves during the period of transition for the new Colombian Administration.

In a telegram to Banco de la Republica dated August 2, the Federal Reserve Bank of New York requested additional information and suggested that the Reserve Bank might consider submitting a request to its directors and the Board of Governors for a loan of not more than \$10 million. Banco de la Republica, in reply, had stated that \$20 million would be necessary in order to maintain its reserves without substantial change and had emphasized that coffee exports were depressed by uncertainties arising from the current negotiations on a world coffee agreement.

The New York Reserve Bank, in a telegram dated August 10, had advised the Board of its negotiations with the Colombian bank and indicated that the Reserve Bank's Board of Directors had authorized, subject to the approval of the Board of Governors, a loan of \$10 million. The telegram stated further that the International Monetary Fund, which was having discussions with representatives of the Government of Colombia on possible further drawings from the Fund and on measures that it wished Colombia to adopt with respect to foreign exchange and credit policies, concurred in the view taken by the New York Reserve Bank.

Attached to the Division memorandum was a draft of telegram to the New York Reserve Bank that would indicate the Board's approval of a \$10 million loan, with the understanding that Banco de la Republica Would be advised that payment of the new loan would be expected at maturity, with no request for renewal, and that the loan of \$15 million now outstanding would be paid on or before August 28, 1962.

In commenting on the proposed loan, Mr. Irvine stated that the reasons for approval were not particularly strong. However, the Colombian bank had insisted that funds were needed to meet special payments that were falling due. Colombia would be required to pay in the weeks ahead the \$15 million gold loan due the New York Reserve Bank on August 28 and possibly an instalment of around \$7 million on credits due a group of United States commercial banks.

Governor Shepardson raised a question whether Colombia had at any time indicated that a loan of \$10 million would suffice, and Mr. Irvine responded that so far as could be determined, Banco de la Republica had given no such indication. In fact, in its most recent communication to the New York Reserve Bank, the Colombian bank had reiterated a need for \$20 million. Mr. Irvine assumed, however, that the bank would be willing to accept a smaller loan if the amount requested was not available.

Governor Mitchell inquired whether any hazard to the System Was involved, and Mr. Young replied that there was none since gold bars held at the New York Reserve Bank would serve as collateral for the loan.

reason to believe that Banco wanted to retain all of the gold it now held in New York and also to obtain additional funds through this gold loan because of a question on its part about the maintenance of the price of gold. In any event, the Federal Reserve had followed quite consistently a policy of calling for repayment of gold loans when due and making renewals a matter of concern. In these circumstances, and on the basis of conversations with representatives of the International Monetary Fund, with which the Colombians were endeavoring to negotiate further drawings, it seemed desirable to put some pressure on Colombia to make repayment of the outstanding loan due on August 28.

Mr. Young added that Colombia had not been pursuing vigorously some of the measures that the International Monetary Fund had been urging.

Mr. Irvine mentioned that gold loans for Colombia had been outstanding since December 1961, whereas System policy called for granting gold loans only as a short-term accommodation to meet seasonal exchange needs or to alleviate exchange difficulties caused by factors of a temporary nature.

Governor Mills stated that he would approve the loan of \$10 million to Colombia. He noted, however, that there was no indication in the file that the request had been discussed with the State Department. Also, there was the matter of System gold loan policy and procedure to be borne in mind. He thought the New York Reserve Bank should have presented to the Board Colombia's original request for a \$20 million loan; that any decision to offer a lesser amount should rest with the Board of Governors rather than the New York Bank or its directors; and that there had been a breach in the understanding reached in 1955.

In connection with Governor Mills' reference to consultation with the State Department regarding the proposed loan, Mr. Young stated that Vice President Sanford of the New York Reserve Bank reportedly had talked with the Latin American Desk at the State Department in this regard. The State Department had indicated that it knew of no special considerations having a particular bearing on the Colombian request.

On the matter of procedure referred to by Governor Mills,

Mr. Young said it was his understanding that in this instance the
usual procedure had been followed. The loan had been requested by

Banco de la Republica through the New York Reserve Bank; it had been
considered by the staff of that Bank; it had been acted upon by the

Bank's Board of Directors; and it had then been referred to the Board

of Governors for approval.

Governor Mills agreed that the procedure followed in the handling of gold loan requests had fallen into the pattern mentioned by Mr. Young, but he did not believe that this procedure was in accordance with the 1955 agreement.

Chairman Martin commented that he did not believe there had been any intention to change the procedures agreed upon earlier. However, he thought it would be desirable to review those procedures.

After some further discussion of procedures, Governor Mitchell inquired whether Colombia would accept a \$10 million loan when \$20 million had been requested. Mr. Young responded that the answer to this question would not be known until after Banco de la Republica had been advised of what the Federal Reserve was prepared to do.

Governor Mitchell then said it seemed to him, offhand, that if the loan was made, it should be made in the amount requested, Particularly since there was no question of risk involved. He did not think that the record was particularly persuasive for cutting back the amount of gold loan credit outstanding to the Colombians.

Governor Mills said that in his view it would be difficult at this stage to change from the course recommended by the New York Reserve Bank. In the circumstances, he would favor approval of the \$10 million loan.

Chairman Martin agreed that it would probably be wise to approve the loan for \$10 million. Thereafter, the general procedures followed in considering gold loans could be reviewed, and the Board could have a discussion with President Hayes of the New York Reserve Bank at a mutually convenient time.

Governor Shepardson again raised the question whether Colombia Would accept a \$10 million loan if it considered that \$20 million was needed to meet the situation. So far as he could see, there had been no indication that a loan of \$10 million would be acceptable.

In the ensuing discussion, Mr. Young pointed out that Colombia Would have the option of accepting the loan and also of pursuing further the matter of a drawing or drawings on the International Monetary Fund. Also, the offering of the \$10 million gold loan would not preclude Colombia from coming back to the System if it was in a situation where there was a real need for an additional loan.

After further discussion, during which reference again was made to the principles set forth in the 1955 Statement of Policy on Gold Loans, the telegram to the Federal Reserve Bank of New York notifying it of Board approval of a \$10 million loan to Banco de la Republica was approved. A copy is attached as Item No. 9.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Banks of Cleveland and Richmond (attached Items 10 and 11) approving the appointment of Charles Russell Danforth and H. Rush Woodside, Jr., as assistant examiners for the respective Banks.

Assistant Secretary



BOARD OF GOVERNORS OF THE

FEDERAL RESERVE SYSTEM

Item No. 1 8/14/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE

August 14, 1962

Board of Directors, The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to December 20, 1962, the time within which The First Pennsylvania Banking and Trust Company may establish a branch at 255 East County Line Road, Warminster Township, Bucks County, Pennsylvania.

Very truly yours,

(Signed) Elizabeth L. Carmichael



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Item No. 2 8/14/62

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 1962

Board of Directors, The Kraft State Bank, Menomonie, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Minneapolis has forwarded to the Board of Governors a copy of your resolution dated July 10, 1962, signifying your intention to withdraw from membership in the Federal Reserve System and your letter dated July 11, 1962, requesting waiver of the six months' notice of withdrawal. The Reserve Bank has also forwarded your letter dated July 27, 1962, setting forth the reasons for withdrawal and for the waiver of six months' notice.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Minneapolis of the Federal Reserve Bank stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

returned to the Federal Reserve Bank of Minneapolis.

Very truly yours,

(Signed) Elizabeth L. Carmichael



FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3 8/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 1962

The Honorable Erle Cocke, Sr., Chairman, Federal Deposit Insurance Corporation, Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of July 18, 1962, concerning the application of The Kraft State Bank, Menomonie, Wisconsin, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

In early 1960, certain alleged irregularities were disclosed on the part of Mr. William R. Kraft, then president and director of subject bank, and ultimately resulted in his being replaced as president of the bank. For various reasons, the United States Attorney declined to prosecute. The last information received by the Board of Governors indicates that he continues to serve as a member of the board of directors. Members of the staff of the Board of Governors will discuss with your office details pertinent to the alleged irregularities on request.

There are no other unusual conditions apparent in the bank and no corrective programs have been urged upon or agreed to by the bank which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance.

Very truly yours,

(Signed) Elizabeth L. Carmichael



FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 4 8/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 1962

Board of Directors, The Commercial and Savings Bank of Millersburg Ohio, Millersburg, Ohio.

Gentlemen:

System approves, pursuant to Section 24A of the Federal Reserve Reserve Act, an additional investment of \$17,000 in bank premises made by The Commercial and Savings Bank of Millersburg, Ohio, for the purchase of a property for future expansion.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 5 8/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE SOARD

August 14, 1962

Board of Directors, Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, of a branch in the Upper Darby Shopping Center on the north side of State Road, approximately 350 feet east of the intersection of State Road and Lansdowne Avenue in Upper Darby Township, Delaware County, Pennsylvania, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 6 8/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 1962

Board of Directors, The Liberty Trust Company, Cumberland, Maryland.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Liberty Trust Company in Searstown Plaza, LaVale, Allegany County, Maryland, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

Item No. 7 8/14/62

OFFICE OF THE CHAIRMAN

August 15, 1962

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

Dear Mr. Saxon:

Thank you for your letter dated August 1, which we reon August 7, with regard to my testimony on H.R. 7796.

Whether the substantial growth in time and savings deposits in the past year is relevant to the necessity of a change in the percentage of such accounts that banks can hold in mortgages is a matter on which judgments may differ. This does not excuse us, it seems to me, from mentioning a development so striking as the estimated increase of \$7 billion in time deposits at national banks in the past year, which has expanded by roughly \$4 billion the volume of mortgages national banks may hold under existing law.

As I indicated in my testimony, the Board has no objection to the proposed legislation. However, we would be less than that if we left a Committee of the Congress with the impression appreciable effect in the near future on mortgage lending by banks. While we have no way of determining the precise number, we understand that only a small number of banks are limited by the present per cent requirement.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.





FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 8 8/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 1962

Miss G. L. Meyer, Market Research Consultant, Box 820, 4000 Massachusetts Avenue, N. W., Washington 16, D. C.

Dear Miss Meyer:

This refers to your letter of March 15 requesting that Business Equipment Manufacturers Association be furnished in punched card form data published in Distribution of Bank Deposits by Counties and Standard Metropolitan Areas, as of June 15, 1960 and future dates.

Inasmuch as relatively little machine time would be required to produce the data you desire, the Board is willing to reproduce these cards as of June 15, 1960 and June 30, 1962 at the cost of the cards plus a time charge for the use of the reproduction equipment; the latter includes time of personnel on an estimated basis.

Because of increasing demands within the Board and the Reserve Banks for the reproduction of cards containing banking data, any subsequent requests for similar data at future dates will be considered separately. It should also be understood that there may be some delay in reproducing the 1960 and 1962 cards.

Very truly yours,

(Signed) Elizabeth L. Carmichael

TELEGRAM

Item No. 9 8/14/62

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

August 14, 1962

SANFORD - NEW YORK

Your wire of August 10. Board approves granting a three-month loan on gold up to a total of \$10 million by your Bank to the Banco de la Republica (Colombia) on the following terms and conditions:

- (a) To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- (b) To mature in three months from the date on which it is made, with option to pay at any time before maturity, in multiples of \$1 million;
- (c) To bear interest at the discount rate of your
 Bank in effect on the date on which the loan is made;
- (d) To be requested and made on or before August 31.

 It is understood that in your cable to the Banco de la Republica, you will advise them (a) that you expect the loan to be repaid at maturity with no request for renewal and (b) the loan of \$15 million now outstanding will be paid on or before August 28. It is also understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Kenneth A. Kenyon

KENYON





Item No. 10 8/14/62



WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 1962

Mr. Paul C. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of August 7, 1962, the Board approves the appointment of Charles Russell Danforth as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

Very truly yours,
(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25. D. C.

Item No. 11 8/14/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 14, 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 August 8, 1962, the Board approves the appointment of H. Rush Woodside, Jr., as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael