Minutes for August 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 Monday, August 20, 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. Kenyon, Assistant Secretary
        Mr. Young, Adviser to the Board and Director, Division of International Finance
        Mr. Fauver, Assistant to the Board
        Mr. Spencer, General Assistant, Office of the Secretary

        Messrs. Noyes, Holland, Dembitz, Freedman, Gehman, Peret, Pickering, and Trueblood and Miss Dingle of the Division of Research and Statistics

        Messrs. Furth, Sammons, Fieser, Gekker, Irvine, Kaufman, Klein, and Reynolds of the Division of International Finance

Economic review. Staff members of the Divisions of International Finance and Research and Statistics presented a review of foreign and domestic economic and financial developments.

After a discussion based upon these reports, all members of the staff except Messrs. Kenyon, Fauver, Noyes, and Spencer withdrew and the following entered the room:

        Mr. Hackley, General Counsel
        Mr. Solomon, Director, Division of Examinations
        Mr. Johnson, Director, Division of Personnel Administration
        Mr. Shay, Assistant General Counsel
        Mr. Conkling, Assistant Director, Division of Bank Operations

 withdraw at point indicated in minutes.
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Kern, Assistant Director, Division of Administrative Services
Mr. McClintock, Supervisory Review Examiner, Division of Examinations
Mr. Egertson, Review Examiner, Division of Examinations

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

Item No.  

2. Letter to The Ewing Bank and Trust Company, Ewing Township, Mercer County, New Jersey, approving its application for membership in the Federal Reserve System.

3. Letter to The Provident Bank, Cincinnati, Ohio, approving (1) the establishment of a branch at Reading Road and Chaucer Drive, Sycamore Township, and (2) an investment in bank premises.

4. Letter to Southern Bank and Trust Company, Richmond, Virginia, approving the establishment of a branch in Henrico County.

5. Letter to International State Bank, Raton, New Mexico, approving the establishment of a branch in Cimarron.
Letter to Greenfield State Bank, Bakersfield, California, approving the establishment of a branch in the vicinity of Wilson Road and South H Street in an unincorporated area of Kern County.

Letter to the Federal Reserve Bank of Richmond approving the payment of salaries, at rates fixed by the Bank's Board of Directors, to two officers assigned to the Charlotte Branch.

Messrs. Johnson and Conkling then withdrew.

**Industrial production index.** There had been distributed a memorandum dated August 15, 1962, from Messrs. Noyes and Kern with respect to Board publication of a pamphlet entitled "Industrial Production--1957-59 Base."

As pointed out in the memorandum, the Board's index of industrial production, which had been published since 1959 on a 1957 base, had now been converted to a 1957-59 base in line with a request from the Bureau of the Budget earlier in 1962 that all official indexes be put on that base. In this connection, the following recommendations were submitted:

1. Publication in the Federal Reserve Bulletin of a short article describing the revision, and publication of the revised statistics in a special pamphlet.

2. Printing of 5,000 copies of the special pamphlet, which would include monthly indexes for individual series beginning with 1947 and for major divisions beginning with 1919, as well as a reprint of the Federal Reserve Bulletin article.

(Preliminary estimates indicated that the cost for printing 5,000 copies would be about $4,000. In that connection, a memorandum from Office of the Controller dated August 16, 1962, and distributed with the memorandum from Messrs. Noyes and Kern, suggested that approval of the recommendation to publish the pamphlet include approval of an overexpenditure in the budget by the cost involved.)
3. A price of $1.00 per pamphlet, or 85 cents per copy for 10 or more for single shipment.

4. The distribution policy for the pamphlet to be the same as that used for the publication, "Industrial Production--1959 Revision."

5. A reduction from $1.00 to 50 cents per copy for the pamphlet, "Industrial Production--1959 Revision," effective with the release of the indexes on the new base.

6. Elimination of the charge for the Industrial Production Chart Book, effective with the release of the new data.

In discussion, Governor Balderston raised certain questions in connection with the recommendations that were being made.

Mr. Noyes, in responding, noted that while there had been no basic revision of the structure of the index, there were two changes -- the base had been shifted from 1957 to 1957-59 and there had been a revision of seasonal factors. With respect to the Industrial Production Chart Book, there were some copies on hand; they did, of course, reflect the 1957 base, and it was felt that any request for the chart book should be filled without charge. On the other hand, the pamphlet "Industrial Production--1959 Revision" contained a quantity of relevant information even though it used the 1957 base. There were about 3,000 copies in stock, and it was recommended that the charge of $1.00 be reduced to 50 cents a copy for that pamphlet.

Following Mr. Noyes' comments, the recommendations submitted in the memorandum of August 15 were approved unanimously. This action was
taken with the understanding that approval of the recommendations covered an overexpenditure in the budget resulting from the publication of "Industrial Production--1957-59 Base," the estimated cost being about $4,000.

Messrs. Noyes and Kern then withdrew from the meeting.

Report on competitive factors (Pittsburgh-Derry, Pennsylvania).

A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The First National Bank at Derry, Derry, Pennsylvania, with Brookline Savings and Trust Company, Pittsburgh, Pennsylvania, had been distributed. The conclusion in the draft of report read: "The proposed merger of The First National Bank at Derry with Brookline Savings and Trust Company would have little effect on competition outside of Derry. The remaining independent bank in Derry would be in direct competition with a branch of an institution about 19 times its size."

In a discussion of the facts of the case, Governor Mills noted--without objecting to the proposed report--that the relatively small applicant bank would be operating an office in a town (Derry) about 45 miles from its head office. Governors Shepardson and King suggested that the second sentence of the proposed conclusion seemed to carry a more adverse connotation than the body of the report would imply. These comments led to certain suggestions for modification of the conclusion.

Unanimous approval then was given to the report, for transmittal to the Corporation, in a form containing the following conclusion:
The proposed merger of The First National Bank at Derry with Brookline Savings and Trust Company would have little adverse effect on competition.

Report on competitive factors (Frederick-Emmitsburg, Maryland). 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 Farmers State Bank, Emmitsburg, Maryland, into Farmers and Mechanics-Citizens National Bank of Frederick, Frederick, Maryland.

In discussion, Governor Mills commented that he was familiar with the area involved and that the proposed merger would have the effect of strengthening further the control of the banking situation by Farmers and Mechanics, which had expanded previously by mergers, in all of the important area communities. Also to be considered was the extent of the competition afforded in the Emmitsburg area by banks located across the State line in Pennsylvania; that is, whether it was exactly comparable to that furnished by banks located within the State of Maryland. As he saw it, the State line was an invisible barrier. Further, the nearest sizable banks in Pennsylvania (Gettysburg) were nine miles from Emmitsburg. Governor Mills expressed the view that the report should develop to a greater degree than it now did the competitive factors he had mentioned.

After brief discussion, and in light of Governor Mills' views, it was understood that the staff would prepare a revised draft of report for the Board's consideration.

Application of Farmers and Merchants Bank of Lawrenceville. There had been distributed a memorandum from the Division of Examinations
dated August 10, 1962, recommending favorably on an application by Farmers and Merchants Bank of Lawrenceville, Lawrenceville, Virginia, to merge with Bank of Alberta, Alberta, Virginia. As indicated in the memorandum, the reports on competitive factors from the other bank supervisory agencies and the Department of Justice were not adverse.

At the Board's request, Mr. Leavitt reviewed the circumstances of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the August 10 memorandum.

In discussion, Governor Mills said that he would vote for approval. However, he would bring out clearly in the Board's statement, which was to be prepared, that this transaction would further increase the size of the largest bank in the area, which was even now seeking to establish a branch in Brodnax. With its position enhanced through the merger with the Alberta bank, the Lawrenceville bank conceivably might seek to expand further throughout the general area and obtain a position of dominance.

Following Governor Mills' comments, all of the other members of the Board indicated that they would favor approval of the application. Accordingly, the application was unanimously approved, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.
Governor Balderston withdrew from the meeting at this point to keep another engagement.

**Application of State-Planters Bank of Commerce and Trusts.**

There had been distributed a memorandum from the Division of Examinations dated August 15, 1962, recommending favorably on an application by State-Planters Bank of Commerce and Trusts, Richmond, Virginia, to merge with The Suburban Bank, Henrico County, Virginia. The reports on competitive factors from the other bank supervisory agencies and the Department of Justice were not adverse.

At the Board's request, Mr. Leavitt made a statement regarding the facts of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the August 15 memorandum.

At the conclusion of Mr. Leavitt's comments, all of the members of the Board indicated that they would favor approval of the proposed transaction. Also, Chairman Martin stated that Governor Balderston, before leaving the meeting, had indicated that he wished to be recorded as voting for approval. Accordingly, the application was approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum from the Division of Personnel
Administration, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Linda Sue Oldland, Clerk-Stenographer in that Division, effective at the close of business August 22, 1962.

On March 22, 1962, the Board approved a change in its official seal. The new seal was placed in use today. An impression of the seal is shown under the attached Item No. 8.

[Signature]
Assistant Secretary
August 20, 1962

Mr. H. H. Kimball, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Kimball:

This refers to your letter of August 13 and to Vice President Smith's letter of August 6, 1962, recommending waiver of a penalty of $137.70 incurred by the Citizens National Bank of Wellsville, Wellsville, New York, on a deficiency of 6 percent in its required reserves for the biweekly computation period ended July 11, 1962.

It is noted that the deficiency occurred because the bookkeeper, who had responsibility of maintaining the subject bank's reserve account, was on vacation, and the employee assigned to this task failed to take into account the effect on required reserves of an increase in deposits relative to a merger of a nonmember institution with the subject bank; that balances were available in correspondent banks to maintain reserves at proper levels during the period in which the deficiency occurred; and that a transfer of these funds to its reserve account would have been made by the subject bank had it realized a deficiency was occurring.

In the circumstances, the Board authorizes your Bank to waive assessment of the penalty of $137.70 for the period ended July 11, 1962.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
The Ewing Bank and Trust Company,
Ewing Township, Mercer County, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System
approves the application of The Ewing Bank and Trust Company,
Ewing Township, Mercer County, New Jersey, for stock in the Federal
Reserve Bank of Philadelphia, effective if and when the bank opens
for business under appropriate State authorization, subject to the
numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and
exercise its powers with due regard to the safety of
its depositors, and, except with the permission of
the Board of Governors of the Federal Reserve System,
such bank shall not cause or permit any change to be
made in the general character of its business or in
the scope of the corporate powers exercised by it at
the time of admission to membership.

2. The net capital and surplus funds of such bank shall
be adequate in relation to the character and condition
of its assets and to its deposit liabilities and other
corporate responsibilities.

In connection with the foregoing conditions of membership,
particular attention is called to the provisions of the Board's
Regulation H, regarding membership of State banking institutions in
the Federal Reserve System, with especial reference to Section 208.7
thereof. A copy of the regulation is enclosed.

If at any time a change in or amendment to the bank's
charter is made, the bank should advise the Federal Reserve Bank,
furnishing copies of any documents involved, in order that it may
be determined whether such change affects in any way the bank's
status as a member of the Federal Reserve System.
The Ewing Bank and Trust Company

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 45 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure
Board of Directors,  
The Provident Bank,  
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Provident Bank, Cincinnati, Ohio, at the northwest corner of Reading Road and Chaucer Drive, Sycamore Township, Hamilton County, Ohio, provided the branch is established within nine months from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of $12,000 in bank premises for leasehold improvements at the proposed branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.
August 20, 1962

Board of Directors,
Southern Bank and Trust Company,
Richmond, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Southern Bank and Trust Company, Richmond, at the intersection of Broad Street Road and Wistar Road in Henrico County, Virginia, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by International State Bank, Raton, New Mexico, of a branch in Cimarron, New Mexico, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
August 20, 1962

Board of Directors,
Greenfield State Bank,
Bakersfield, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Greenfield State Bank, Bakersfield, California, in the vicinity of Wilson Road and South H Street in an unincorporated area of Kern County, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
CONFIDENTIAL (FR)

Mr. Alonzo G. Decker, Jr.,
Chairman of the Board,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Decker:

The Board of Governors has approved the payment of salaries to the following officers of the Charlotte Branch of the Federal Reserve Bank of Richmond during the period September 1 through December 31, 1962, at the rates indicated. These are the rates which have been fixed by the Board of Directors as reported in your letter of August 9.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winfred W. Keller</td>
<td>Assistant Cashier</td>
<td>$11,000</td>
</tr>
<tr>
<td>Fred C. Krueger, Jr.</td>
<td>Assistant Cashier</td>
<td>11,000</td>
</tr>
</tbody>
</table>

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
IMPRESSION OF THE BOARD’S NEW SEAL WHICH WAS APPROVED BY THE BOARD ON MARCH 22, 1962, AND PLACED IN USE ON AUGUST 20, 1962.