

Minutes for September 24, 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

M

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 Monday, September 24, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson  
Mr. King  
Mr. Mitchell

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Noyes, Director, Division of Research and Statistics  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Hooff, Assistant General Counsel  
Mr. Masters, Associate Director, Division of Examinations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations

Inquiry from Forest Service. Governor Mills reported a telephone call that he had received from a representative of the United States Forest Service who asked for suggestions regarding a person who might be named to a committee being appointed to undertake an impartial study of the valuations of privately-owned timber resources, particularly in the Pacific Coast area.

Governor Mills stated reasons why it would not seem desirable to suggest any person actively connected with the Federal Reserve

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System for service in such capacity. However, it had occurred to him that the name of former President Earhart of the Federal Reserve Bank of San Francisco might be mentioned.

No objection was seen to mentioning Mr. Earhart's name. It was understood if members of the Board had any additional suggestions, they would get in touch with Governor Mills.

Bank of Georgia. Mr. Hooff reported that a subpoena had been served on the Federal Reserve Bank of Atlanta, in connection with the prosecution of a robbery case, for the production in court of certain documents to prove that The Bank of Georgia, Atlanta, Georgia, was a member of the Federal Reserve System and that its deposits therefore were insured.

After discussion, it was agreed that Assistant Counsel for the Federal Reserve Bank should be authorized to produce the requested documents.

Mr. Hooff then withdrew from the meeting.

Application of Deposit Guaranty Bank & Trust Company (Item No. 1). There had been circulated to the Board an application of Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, for permission to establish a branch at 4229 North State Street, Jackson. When the file was in circulation, Governor Mills attached a note inquiring as to the competitive effect on the nearby branch of a smaller Jackson bank (the Jackson-Hinds Bank).

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Mr. Leavitt stated that he had discussed with Vice President Denmark of the Federal Reserve Bank of Atlanta the question raised by Governor Mills. Mr. Denmark felt that the establishment of the proposed branch would not have a substantial adverse effect on the existing branch of the smaller bank, which attracted principally types of customers who were not likely to transfer their banking connections to Deposit Guaranty. Mr. Denmark also felt that if the smaller bank had felt strongly about the proposed branch it would have filed a formal protest, but no such protest was filed. He believed that Deposit Guaranty was justified in moving into this expanding area of the city of Jackson to protect its existing customers in that area.

Governor King commented that, according to the memorandum on the application submitted by the Reserve Bank, the Jackson-Hinds Bank had expressed the view that it would be difficult to compete for new business effectively with the much larger bank. However, he did not feel that this protest was too well founded; the two larger banks in Jackson already had personnel soliciting new business throughout the entire city. It was his feeling that Deposit Guaranty was applying for the new branch mostly as a gesture of convenience to customers located in the area. His principal question would be as to the need of the bank for the additional facility, but he had noted that no substantial investment in banking quarters was involved.

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The application of Deposit Guaranty Bank & Trust Company was then approved unanimously. A copy of the letter sent to the bank pursuant to this action is attached as Item No. 1.

Applications of United California Bank (Items 2 and 3).

There had been circulated to the Board applications of United California Bank, Los Angeles, California, to establish branches in Seal Beach and San Leandro. When the file was in circulation, certain questions were raised with respect to the capital position of the bank. Accordingly, there had been distributed a memorandum from the Division of Examinations dated September 19, 1962, outlining the position of the bank and describing a discussion by telephone with the Federal Reserve Bank of San Francisco regarding the matter. The memorandum pointed out that upon further analysis it had been ascertained that United California had 82 per cent of the capital required under the Form for Analyzing Bank Capital rather than the 72 per cent stated in the branch memoranda that had been circulated. It continued to be the Division's recommendation that the two branch applications be approved.

In discussion, no objection was indicated to the approval of the two branch applications. However, the view was expressed that United California's capital position should be made the subject of a comprehensive review before the bank proceeded a great deal further

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with the establishment of additional branches. It was pointed out that the bank had hoped to improve its capital position through funds obtained from the anticipated sale by Western Bancorporation of First Western Bank and Trust Company, Los Angeles, but that the prospective sale of the latter bank had fallen through. While the San Francisco Reserve Bank had suggested undertaking a thorough capital study following receipt of United California's year-end condition and earnings reports, it was the Board's feeling that the study should proceed immediately, with a view to determining what, if any, supervisory steps should be taken.

It being understood that the study of the bank's capital adequacy would proceed, the two branch applications were approved unanimously. Copies of the letters sent to United California Bank pursuant to this action are attached as Items 2 and 3, respectively.

Availability of examination reports. There had been distributed a memorandum from Mr. Masters dated September 20, 1962, relating recent occurrences from which it appeared that reports of examination of national banks were no longer going to be made available to the Board in Washington on a borrowed basis.

Following a general discussion of the circumstances involved and the need to borrow examination reports of national banks from time to time in order to obtain information necessary for the Board

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to perform its statutory responsibilities, it was understood that the matter would be given such further consideration as seemed necessary in the light of developments.

Secretary's Note: At the Board meeting on September 25, it was reported that the difficulty had been corrected and that examination reports of national banks were again being made available by the Office of the Comptroller of the Currency upon request.

Mr. Leavitt then withdrew and Mr. Young, Adviser to the Board and Director of the Division of International Finance, entered the room.

Federal Reserve motion picture. In further regard to the Federal Reserve motion picture project, which had been the subject of discussion at recent meetings, there had now been distributed a memorandum from Governor Mitchell dated September 24, 1962, in which he reported that the script had been reviewed by Miss Burr, Consultant to the Board, and suggested how he felt that the script could be modified to correct certain defects that had caused him concern.

Following comments by Governor Mitchell in which he indicated the type of suggestions he would propose to make with regard to the script, as outlined in his memorandum, it was agreed that this approach afforded a satisfactory basis for Governor Mitchell to discuss the subject on September 26 with President Wayne, a member

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of the Presidents' Conference Committee on Bank and Public Relations, and Mr. Bunting, Chairman of the Subcommittee on Bank and Public Relations.

Review of Regulation K. Governor Mitchell made a brief report on the progress of the current study of Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing under the Federal Reserve Act, and pointed out that three memoranda dealing with the principal problems covered by the study had now been distributed to the members of the Board.

In discussion, question was raised whether the time was propitious for reaching final decisions in this area. However, there was general agreement that it would be desirable for the Board to discuss the problems covered in the study with a view to familiarizing itself therewith and perhaps reaching tentative conclusions. It was further agreed that the most feasible approach might be to take up the three memoranda in sequence.

Accordingly, it was understood that the Secretary would arrange to have the first of the memoranda entered on the agenda for discussion on an appropriate date, with advance notification to the members of the Board.

Messrs. Young and Goodman then withdrew from the meeting.

Committee on Financial Institutions. Pursuant to the understanding at the meeting on Friday, September 21, Mr. Noyes, who had

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been representing Chairman Martin in the work of the three inter-agency committees appointed by the President to make studies in areas suggested by the recommendations of the Commission on Money and Credit, reported on the work of the Committee on Financial Institutions. In his report, Mr. Noyes described the membership of the Committee, the principal subjects that had been discussed, and the tentative positions taken with respect to them, along with certain other subjects that had not as yet been discussed. He noted that within the near future it should be possible to make available to the members of the Board position papers that had evolved from the Committee's deliberations on each of the respective subjects. At the request of any Board member, additional background papers also could be made available.

It was understood that the Board would give consideration to these matters after the papers described by Mr. Noyes had been distributed.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

#### Appointment

Helen M. Dunn as Statistical Assistant, Division of Research and Statistics, with basic annual salary at the rate of \$4,345, effective the date of entrance upon duty.

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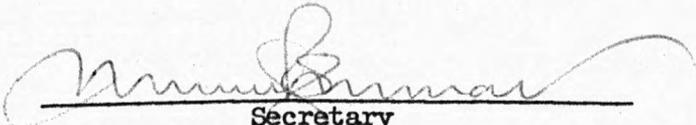
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Salary increases, effective September 30, 1962

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
James S. Nystrom, Economist		\$ 6,435	\$ 6,600
Wilellyn Morelle, Economist		8,080	8,340
Natalie Strader, Survey Statistician (Economics)		6,765	6,930
<u>Bank Operations</u>			
Raymond J. Collier, Chief, Current Series Section		12,210	12,470
Lee W. Langham, Chief, Call Report Section		12,210	12,470
E. Ralph Massey, Chief, Reserve Bank Operations Section		12,210	12,470
<u>Administrative Services</u>			
Alfred J. Holston, Clerk		3,500	3,605

Acceptance of resignation

Judith S. Scully, Secretary, Division of Bank Operations, effective September 19, 1962.


  
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 Secretary

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

Item No. 1  
9/24/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 24, 1962



Board of Directors,  
Deposit Guaranty Bank & Trust Company,  
Jackson, Mississippi.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, of a branch at 4229 North State Street, Jackson, Mississippi, provided the branch is established within six months from the date of this letter.

The Board of Governors also approves an additional investment of \$6,200 in bank premises for leasehold improvements, night depository installation and drive-in window installation.

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. 2  
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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 24, 1962

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank in the vicinity of Westminster Avenue and Los Alamitos Boulevard, Seal Beach, California, 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.



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

Item No. 3  
9/24/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 24, 1962

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank at the intersection of Doolittle Drive and Marina Boulevard, San Leandro, 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.

