

The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on November 16, 1962, which you have previously initialed, have been amended at the request of Governor Robertson to revise the second and third full paragraphs on page 3.

If you approve these minutes as amended, please initial below.

Chairman Martin

Governor Mills

Handwritten initials 'M' are written above a horizontal line. Below this line, a signature is written over another horizontal line. The signature is a cursive-style name that appears to be 'Mills'.

609
9/61

Minutes for November 16, 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 Friday, November 16, 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. King 1/
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Brill, Adviser, Division of Research and
Statistics
Mr. Holland, Adviser, Division of Research and
Statistics
Mr. Hersey, Adviser, Division of International
Finance
Mr. Sammons, Adviser, Division of International
Finance
Mr. Mattras, General Assistant, Office of the
Secretary
Mr. Eckert, Chief, Banking Section, Division
of Research and Statistics
Mr. Yager, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Bernard, Economist, Division of Research
and Statistics
Mr. Reynolds, Chief, Special Studies and
Operations Section, Division of International
Finance
Mr. Goldstein, Economist, Division of
International Finance

Money market review. There were distributed tables relating to
the following material: Trend of yields on Treasury bills from
December 1958 to November 1962; tentative Treasury financing schedules

1/ Withdrew from meeting at point indicated in minutes.

11/16/62

-2-

for the period November 1962 to June 1963; summary of monetary developments during the five-week period ending November 14, 1962.

Mr. Bernard discussed recent developments in the Government securities market after which Mr. Brill commented on bank reserves. Mr. Brill also discussed a study he had made on the subject of liquidity, and it was understood that copies of his remarks would be distributed to the members of the Board for their further review. Mr. Goldstein then commented on developments in the foreign exchange market.

Mr. Koch reported on his participation in the Fiscal Policy Conference sponsored by the President's Committee on Labor-Management Policy, following which Governor Balderston commented with regard to the panel on which he participated at the Conference.

All members of the staff then withdrew except Messrs. Sherman, Fauver, Noyes, and Mattras and the following entered the room:

Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Harris, Coordinator of Defense Planning
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Miss Hart, Senior Attorney, Legal Division
Mr. Hill, Attorney, Legal Division
Mr. Hunter, Supervisory Review Examiner, Division
of Examinations

Request for material from chain banking survey. Mr. Noyes advised the Board of a request from the Department of Justice for access to reports that the Board might have obtained in connection with the

11/16/62

-3-

Patman chain banking survey from two Phoenix, Arizona, banks: Valley National Bank and The Arizona Bank.

Mr. Sherman noted that there was no report from The Arizona Bank since it was not a member of the Federal Reserve System. He also noted that the original request to member banks advised the banks that the information was being gathered for the use of Congressman Patman, Chairman of the House Select Committee on Small Business.

Governor Robertson commented that somewhat similar information on Arizona banks had been provided to the Department of Justice several years ago, and he could see no reason for refusing to furnish the information.

Mr. Hexter pointed out that the Board's letter to member banks requesting the information for the chain banking survey implied that it was being requested for the sole use of the House Committee. In view of the fact that the information was supplied on this basis, he questioned whether it would be appropriate to make the data available to the Department of Justice.

After a short discussion, a majority of the Board decided to deny the request of the Department of Justice for access to the report of the Arizona member bank.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on November 15, 1962, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

11/16/62

Application of Central Trust Company Rochester, N. Y. Central

Trust Company Rochester, N. Y., Rochester, New York, had made application to the Board for permission to merge with Prattsburgh State Bank, Prattsburg, New York. The Division of Examinations recommended approval of the application in a memorandum dated November 9, 1962. The Federal Reserve Bank of New York also favored approval. The competitive factor reports of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Justice Department were not adverse.

As stated in its memorandum, the basis for the favorable recommendation of the Division of Examinations was as follows:

Central Trust and its nine branches are located in or near Rochester and it is considerably smaller than the three other commercial banks serving Rochester. Prattsburgh Bank is the only bank in the small village of Prattsburg, an agricultural community, about 60 miles south of Rochester. There is virtually no competition between the two banks. The merger would provide Prattsburgh with broader banking services, solve its management succession problem, and strengthen the administration of its affairs. It may be expected that conversion of the Prattsburgh Bank to a branch of Central Trust would stimulate competition with branches of larger Rochester banks in the Prattsburg area.

After discussion the application was approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Governor King and Messrs. Hill and Hunter then withdrew.

Applications for acceptance powers (Items 1, 2, and 3). There had been distributed memoranda from the Division of Examinations dated October 18, 1962, and the Legal Division dated November 9, 1962, with regard to requests from Southern Arizona Bank and Trust Company, Tucson,

11/16/62

-5-

Arizona; National Bank of Washington, Tacoma, Washington; and The First National Bank of Oregon, Portland, Oregon, for permission to accept drafts or bills of exchange drawn by Banco de la Republica, Bogota, Colombia, for the purpose of furnishing dollar exchange. All three banks requesting permission were subsidiaries of Western Bancorporation, Los Angeles, California, a bank holding company.

According to the memoranda, Western Bancorporation International Bank, an Edge corporation and a subsidiary of Western Bancorporation, had agreed to make available to Banco de la Republica a revolving credit of \$1.5 million to be used by means of the acceptance of 90-day drafts drawn by Banco for the creation of dollar exchange. Because this would exceed the amount that the Edge corporation was permitted to accept under the Board's Regulation K for the account of one person, and also to facilitate foreign operations of some of the subsidiary banks of Western Bancorporation, the Edge corporation approached the three banks named to participate in the revolving line of credit. All three banks had done so, apparently unaware of the requirement that the Board's permission had to be obtained before making dollar exchange acceptances.

The Legal Division memorandum dealt with this matter in the light of section 6(a)(4) of the Bank Holding Company Act, which forbids any loan, discount, or extension of credit by a banking subsidiary of a bank holding company to any other subsidiary of the company. For reasons stated, it was the Division's opinion that the prohibitions of such section would not forbid participations at the outset, in arrangements

11/16/62

-6-

to make acceptances, between Western Bancorporation International Bank and subsidiary member banks of Western Bancorporation.

There had also been distributed drafts of letters approving the requests of the three banks. The letters would authorize Southern Arizona Bank and the National Bank of Washington to accept drafts drawn upon them by Banco in an amount up to \$500,000. The Oregon bank would be authorized to accept drafts drawn upon it by Banco up to \$250,000. The authorization to Southern Arizona Bank would be subject to termination on 90-day notice, whereas the authorizations to the Washington bank and the Oregon bank would terminate on December 31, 1962. The Division of Examinations felt that approval of the three applications would regularize a rather unsatisfactory situation.

After discussion, the proposed letters were approved unanimously.

Copies are attached to these minutes as Items 1, 2, and 3.

Pre-emergency currency storage by Boston Bank (Item No. 4). There had been distributed a memorandum from the Office of Defense Planning dated November 14, 1962, in connection with a request from the Federal Reserve Bank of Boston for approval of the Bank's proposal for a partial pre-emergency storage of currency in the vaults of three of its twenty-five cash agent banks. The memorandum noted that the terms and procedures contained in the proposal were substantially the same as those heretofore approved by the Board for the Cleveland, Chicago, and Richmond Banks. It was estimated that the cost of installing and maintaining the necessary equipment would compare favorably with experience in other districts.

11/16/62

-7-

While the Boston Bank did not request a general authorization to make similar arrangements with any other of its cash agent banks, the Office of Defense Planning suggested that a general authorization be granted to avoid the necessity for considering recurring requests on the same terms and conditions.

After a brief discussion, the proposed letter to the Boston Reserve Bank that had been distributed with the memorandum was approved unanimously. A copy of the letter is attached as Item No. 4.

The meeting then adjourned.

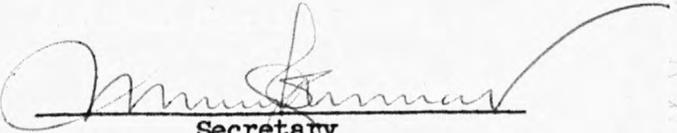
Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Transfer

Jo Ann Murray, from the position of Secretary in the Division of Bank Operations, to the position of Secretary in the Division of Data Processing, with an increase in basic annual salary from \$5,885 to \$6,280, effective January 1, 1963.

Salary increase

Peter Gajewski, Economist, Division of Research and Statistics, from \$8,310 to \$9,475 per annum, effective November 25, 1962.


Secretary

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

Item No. 1
11/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 16, 1962

Southern Arizona Bank and
Trust Company,
Tucson, Arizona.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes your bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, to accept drafts or bills of exchange drawn upon you by Banco de la Republica, Bogota, Colombia, in an amount not exceeding US\$500,000 in the aggregate at any time, which are drawn and accepted for the purpose of furnishing dollar exchange as required by the usages of trade in Colombia and which conform to all other applicable provisions of said Section 13 and the Board's Regulation C.

The right is reserved to terminate this authorization upon 90 days' notice to your bank, as provided in the Regulation.

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
11/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 16, 1962



National Bank of Washington,
Tacoma, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes your bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, to accept drafts or bills of exchange drawn upon you by Banco de la Republica, Bogota, Colombia, in an amount not exceeding US\$500,000 in the aggregate at any time, which are drawn and accepted for the purpose of furnishing dollar exchange as required by the usages of trade in Colombia and which conform to all other applicable provisions of said Section 13 and the Board's Regulation C.

This authorization terminates as of December 31, 1962.

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
11/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 16, 1962

The First National Bank of Oregon, Portland,
Portland, Oregon.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes your bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, to accept drafts or bills of exchange drawn upon you by Banco de la Republica, Bogota, Colombia, in an amount not exceeding US\$250,000 in the aggregate at any time, which are drawn and accepted for the purpose of furnishing dollar exchange as required by the usages of trade in Colombia and which conform to all other applicable provisions of said Section 13 and the Board's Regulation C.

This authorization terminates as of December 31, 1962.

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. 4
11/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 16, 1962



CONFIDENTIAL (FR)

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Ellis:

The Board has approved the proposal of the Federal Reserve Bank of Boston to make a partial decentralization of the storage of currency as a preparedness measure as set forth in your letter dated November 9, 1962.

It is understood that currency is to be stored in the vaults of three of the Bank's twenty-five emergency Cash Agent Banks and in approximate amounts as follows:

The Howard National Bank & Trust Company of Burlington, Burlington, Vermont.	\$4,800,000
First National Bank of Portland, Portland, Maine.	\$6,000,000
The Mechanicks National Bank of Concord, Concord, New Hampshire.	\$6,000,000

It is further understood that the currency will be stored in vaults with adequate security ratings and in vault compartments or chests equipped with dual combination locks and alarm systems wired from the vault compartment or chests directly to police or alarm service headquarters. No major alterations or additions to the Cash Agent Banks' facilities are contemplated.

Prior to a national emergency involving a nuclear attack on the United States, the currency will be under the exclusive control of the Boston Bank including audit control. The procedures described in your letter of November 9, 1962, for maintaining such control are appropriate.

Mr. George H. Ellis

-2-

The Boston Bank is authorized to incur reasonable expenses incident to the pre-emergency storage of currency. It is noted on the basis of estimates contained in the proposal that the one-time installation and equipment costs amount to \$5,697 and the annual recurring cost amounts to \$752, of which \$400 is for vault rent and \$352 is for signal alarm service. These expenses are considered reasonable.

The approval of the Bank's proposal for a partial decentralization of currency constitutes a general authorization for the Federal Reserve Bank of Boston to make further arrangements with other Cash Agent Banks on substantially the same terms and the same safeguards as herein approved when, in the discretion of the Federal Reserve Bank of Boston, such additional arrangements are deemed prudent in the national interest. It is requested that the Board be kept informed of the progress made in completing arrangements with the Cash Agents name above and such additional arrangements as may be made under this general authorization.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.