

Minutes of the Board of Governors of the Federal Reserve System

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

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice 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. Connell, Controller
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Holland, Adviser, Division of Research
and Statistics
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Masters, Associate Director, Division
of Examinations
Mr. Goodman, Assistant Director, Division
of Examinations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Kakalec, Assistant to the Controller
Mr. Langham, Chief, Call Report Section,
Division of Bank Operations
Mr. Poundstone, Review Examiner, Division
of Examinations
Mr. Veenstra, Technical Assistant, Division
of Bank Operations

Items circulated or distributed to the Board. The following
items, copies of which are attached to these minutes under the respective
numbers indicated, were approved unanimously:

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Item No.

- Letter to International Banking Corporation,
New York, New York, granting consent to the
purchase of stock of a French holding company. 1
- Letter to the Federal Deposit Insurance
Corporation regarding the application of
Continental State Bank, Alto, Texas, for
continuation of deposit insurance after
withdrawal from membership in the Federal
Reserve System. 2
- Letter to the Federal Deposit Insurance
Corporation regarding the application of First
State Bank of Odem, Odem, Texas, for continuation
of deposit insurance after withdrawal from
membership in the Federal Reserve System. 3
- Letter to the Federal Deposit Insurance
Corporation regarding the application of
Robert Lee State Bank, Robert Lee, Texas, for
continuation of deposit insurance after
withdrawal from membership in the Federal
Reserve System. 4
- Letter to Peoples Savings Bank, Laurel,
Iowa, approving the declaration of a
dividend in December 1962. 5
- Letter to Bank of Cairo, Cairo, Missouri,
(1) interposing no objection to dividends
declared in 1961 and thus far in 1962 and
(2) approving the declaration of a dividend
in December 1962. 6
- Letter to The Prairie State Bank, Augusta,
Kansas, approving the declaration of a
dividend in 1962. 7
- Letter to The Miami County National Bank,
Paola, Kansas, granting a determination
exempting The Miami Agency, Inc., Shawnee
Mission, Kansas, from holding company
affiliate requirements except for the purposes
of section 23A of the Federal Reserve Act. 8

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Messrs. Shay, Hooff, Goodman, and Poundstone then withdrew from the meeting.

Chain banking survey. In letters dated February 19 and March 29, 1962, Chairman Patman of the House Select Committee on Small Business requested a survey by the Board of chain banking relationships, and data based on the results thereof were subsequently prepared and transmitted in accordance with the specifications of Mr. Houghton of the Committee staff. In a letter dated October 1, 1962, Mr. Patman inquired concerning the circumstances in which nominee registration is employed by banks in the performance of their fiduciary functions, as well as practices with respect to the voting of stock so registered. In a reply dated October 9, 1962, it was noted that the larger trust institutions of the country that are responsible for the administration of a substantial volume of fiduciary business commonly create and use several nominee partnerships, each of which is designated for and confined to registration of securities held in specific categories of fiduciary accounts under their administration. The letter also discussed the significance of these several categories individually or in related groupings.

Before this meeting, copies had been distributed of a memorandum dated December 6, 1962, from Messrs. Farrell, Noyes, and Solomon regarding a proposed program for internal use of data collected from member banks through the Patman chain banking questionnaire. The memorandum, prepared

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in accordance with the Board's request at the meeting on November 14, 1962, noted that the staff had reviewed the kinds of information derived from the questionnaire and had explored alternative means of checking into the actual nature of the interbank relationships disclosed, such review and exploration having been aimed primarily toward developing information from the reports of the 200 largest member banks. It was the staff view that comprehensive checking of more complex relationships among the 200 largest member banks, between any of these banks and other member banks, and among the smaller member banks could best be done following the initial review and exploration and after more elaborate and detailed plans and specifications had been drawn. Outlined in the December 6 memorandum was a series of steps that the staff believed might constitute the immediate program, including (1) preparation of a memorandum on multiple bank stock holdings in the name of nominees; (2) study of information on interlocking directorates and multi-bank stock holdings (other than of nominees); (3) review of information on concentration of ownership in individual banks; and (4) analysis of data as to loans on bank stocks.

The December 6 memorandum suggested that a letter might be sent to Mr. Patman summarizing points that it would seem desirable to bear in mind in appraising data on multiple bank stock holdings in the name of nominees, since the tabulations might easily be susceptible to misinterpretation. (There had been distributed a draft of statement for inclusion in such a letter to Mr. Patman should the Board so desire.)

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At the request of the Chairman, Messrs. Farrell, Noyes, and Holland commented on the proposed program described in the December 6 memorandum, indicating that there was involved essentially a two-stage program. The first stage would be limited to a quick check into the more obvious aspects of interbank controls among the 200 largest member banks; the second stage would constitute a more thorough analysis of the data relating to loans on bank stocks and chain banking relationships.

In discussion, no objection was interposed by the Board to the proposed program for use by the Board's staff of the data from the survey. Governor Mitchell expressed the hope that staff work could proceed as promptly as possible in analyzing the data on loans on bank stocks made by the 200 largest member banks.

With respect to the paragraphs that had been suggested for inclusion in a letter to Congressman Patman concerning the tabulations that had been furnished him, a point of view was expressed within the staff that no further letter to Mr. Patman was necessary at this point, since the tabulations had already been sent to his office and an explanation of the practices and purposes of nominee registration by banks and trust companies of stocks held by such institutions in representative capacities had already been made to Mr. Patman in Chairman Martin's letter of October 9, 1962. The other point of view expressed was that it might be helpful to Mr. Patman--now that the tabulations had been transmitted to him and some document based thereon presumably was

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being prepared for publication--to call to his attention some of the reservations held by the Board with respect to the data. A letter, if sent, also would place on record that the tabulations requested by his office had been transmitted.

After some discussion along these lines, Chairman Martin suggested that there be prepared for the Board's consideration a draft of a brief letter to Congressman Patman noting that the tabulations had been transmitted in accordance with specifications set forth by Mr. Patman's staff and pointing out that the Board had some reservations regarding the apparent significance of the data developed from the survey. In the latter connection, reference could be made to the letter of October 9, 1962.

There was agreement with this suggestion, and it was understood that a draft of letter along such lines would be prepared for the Board's consideration.

Mr. Farrell reported indications that additional tabulations based on the survey data might be requested by Mr. Patman's staff, perhaps in such quantity as to necessitate considerable further work on the part of the Board's staff, and it was agreed that this situation would be reviewed later by the Board, if necessary, in the light of such developments as such occur.

All members of the staff except Messrs. Sherman, Kenyon, Connell, and Kakalec then withdrew from the meeting.

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Board budget for 1963 (Items 9 and 10). There had been distributed to the Board a proposed Board budget for the calendar year 1963 in the total amount of \$7,885,698. As pointed out in a summary prepared by the Office of the Controller under date of December 3, 1962, the proposed budget was the highest in the Board's history. The total was approximately \$970,000 in excess of estimated 1962 expenses; of this increase, 62 per cent was in Personal Services and 38 per cent was in Nonpersonal Services. The increase in Personal Services reflected chiefly the 1962 general pay increase for Federal Government employees, the provisions of which had been adopted by the Board for its employees effective October 14, 1962. Other significant increases included the cost of a nationwide consumer finances survey and the cost of renting and furnishing space in the new building of the Federal Deposit Insurance Corporation.

It was noted that there were certain additional factors that could have an effect on Board expenses in 1963. There was the possibility that the Congress might amend the Executive Pay Act, and it seemed reasonable that the Board might make some salary adjustments if this should occur, but the indications on the matter were so tenuous that it was not practicable to project any figures in the Board's budget. Also, it was expected that next year the Congress would approve a bill to authorize payment of increased allowances to Civil Service retirees, but it was not known whether the funding would be on a lump-sum or pay-as-you-go basis. The proposed Board budget included \$28,000 to fund increased

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benefits for Board Plan retirees on the latter basis. However, if the payment of the benefits should be authorized on a permanent basis, the Board would have to make a total payment of about \$229,000 to the Retirement System of the Federal Reserve Banks to fund fully the increased benefits.

In commenting on the proposed budget at the request of the Board, Mr. Connell reviewed some of the principal statistics contained in the budget summary. With respect to the projected increase of about \$600,000 in salaries and related expenses above the amount estimated to be spent in 1962, he pointed out that this was due mainly to the general pay increase and to the expectation that a fuller staff would be maintained during 1963. The cost of renting space in the new building of the Federal Deposit Insurance Corporation and of purchasing furniture and equipment for it, together with furniture and equipment for the space vacated in the Federal Reserve Building, was estimated at around \$150,000. The survey of consumer finances, recently approved by the Board, was expected to cost about \$265,000, which would be about \$57,000 more than spent for economic surveys in 1962. Other factors contributing to the over-all increase were: the proposed purchase of an electronic chart-making machine (\$60,000); the drawing of new plans for an annex building across "C" Street (\$80,000); an increase in printing and binding costs (about \$70,000), principally for the printing of supplements to Banking and Monetary Statistics and the printing of a revision of The Federal

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Reserve System: Purposes and Functions; and the increase in postal rates (about \$25,000). An offsetting factor would be a decrease of about \$88,000 in nonrecurring projects, such as the fallout shelter facilities.

Mr. Connell also noted that individual annual salaries were shown in the budget as they existed prior to the general pay increase because the budget preparation was too far along when the increase occurred. However, a lump-sum provision was included in the budget for each section.

Governor Shepardson stated that he had gone over the details of the budget for each division and office as it was prepared. He went on to say that certain items, such as the chart machine, had been provided for in the budget even though it was not as yet certain whether the expenditure would be made in 1963. He also noted that most of the special items, to which Mr. Connell had referred, reflected actions that had already been taken by the Board, or in some instances Congressional actions.

Governor Shepardson further noted that in the past some budget provision had been made on a lump-sum basis when a Governmental salary action was anticipated. However, prospects with respect to action in that area in 1963 were so indefinite that no realistic estimates could be made. Therefore, any necessary budget action would have to be taken on a supplemental basis.

Governor Mills stated that he would approve the Board budget as submitted. As Governor Shepardson and Mr. Connell had indicated, most of the prospective increases were founded in earlier actions of the Board

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or the Federal Government and were consistent with the authorizations previously given. It made him rather uncomfortable to see the budget rise so fast, but he felt that the same tendency probably would prevail throughout the whole range of Government departments.

After Governors Robertson and King indicated that they had no comments, Governor Mitchell expressed the view that a good job had been done in putting together the facts. He would have only two or three general comments. First, as he had mentioned in connection with the 1962 budget, he was disturbed by the relatively small budget for the Banking Section in the Division of Research and Statistics, for he felt that attention ought to be focused on studies in this area. In his opinion, the fact that more manpower was not being put into this sector was a major shortcoming of the research program. As a second point, Governor Mitchell referred to a recent memorandum from Governor Robertson suggesting changes in the procedures currently followed in the examination of the Federal Reserve Banks and noted that such changes, if they should be adopted by the Board, would presumably have a substantial impact from the expense standpoint. Third, Governor Mitchell noted that the budget documents suggested that a sketch of the exterior design of a possible Board annex building was to be prepared for Board review. It was his feeling that before the designing of such a structure proceeded too far, there should be prepared for Board consideration an analysis of the functions that should be provided for in an annex building and the related space requirements.

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Chairman Martin said he would understand that Governor Mitchell's comments were directed more to what might be called policy considerations than the budget per se, and Governor Mitchell agreed.

Governor Balderston raised certain questions as a matter of information relating to charges for Board publications and the levying of assessments upon the Federal Reserve Banks, particularly where Governmental pay action of an indefinite nature was in possible prospect, following which he indicated that he would be agreeable to approval of the budget as submitted.

Thereupon, the Board budget for 1963 was approved unanimously as submitted. Tables summarizing the approved budget are attached as Items 9 and 10.

All of the members of the staff then withdrew from the meeting.

Board personnel actions. The Secretary was informed later by Governor Shepardson that during the executive session the Board appointed Robert Solomon, presently Assistant to the Director, Division of Research and Statistics, as Associate Adviser in that Division, with annual salary at the rate of \$17,500, effective January 1, 1963.

The Secretary also was informed by Governor Shepardson that during the executive session the Board approved annual salaries at the rates indicated for the following members of the staff, effective January 1, 1963:

Maurice H. Schwartz, Director, Division of Data Processing	\$17,500
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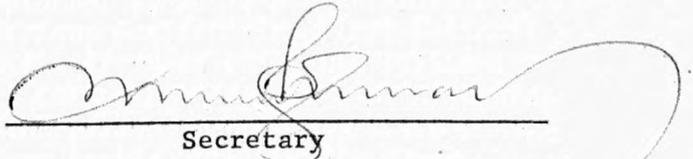
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Lee W. Langham, Assistant Director,
Division of Data Processing

\$14,250

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Personnel Administration dated December 7, 1962, recommending adoption of a revised wage rate schedule for manual labor, semi-skilled and skilled manual labor, trade, and craft positions in the Mechanical Force Section of the Division of Administrative Services and changes in the annual salary rates of those employees to which the revised schedule would apply, effective December 10, 1962. Copies of the revised schedule and a list of the approved salary changes are attached as Items 11 and 12, respectively.



Secretary

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

Item No. 1
12/10/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 10, 1962

International Banking Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of October 5, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent for International Banking Corporation ("IBC") to purchase and hold capital stock of a French holding company ("Holding Company"), in an amount not to exceed US\$800,000, provided such stock is acquired within one year from the date of this letter.

It is understood that on September 7, 1962, a Memorandum of Agreement was signed by Banque de l'Afrique Occidentale, First National City Bank, and Allen & Company, under the terms of which BAO will spin off its African assets and liabilities into a new African bank or banks, depending on whether local incorporation will be required. It is understood that capitalization of the African bank(s) will be the Franc equivalent of approximately US\$8,000,000 derived from an examination and revaluation of the African assets, which BAO will receive in the form of capital stock for the African assets it spins into the new corporation; a new French holding company will be formed, capitalized with the Franc equivalent of US\$2,000,000; US\$800,000 of the capital stock will be purchased by your corporation, \$100,000 by Allen & Company of New York, and \$80,000 by Klehe & Company (Allen & Company's French partners); and that BAO will then transfer its \$8,000,000 in common stock of the enterprise conducting the African operations to the holding company in exchange for the following:

15-year debentures	\$6,000,000
Common stock (51%)	1,020,000
Cash (from the American Group)	<u>980,000</u>
	\$8,000,000

The Board's consent to the proposed purchase and holding of stock by IBC is granted subject to the following conditions:

International Banking Corporation -2-

- (1) That IBC shall not hold any stock, directly or indirectly, in Holding Company if Holding Company or any subsidiary thereof at any time fails to restrict its activities to those permissible to a corporation in which IBC, with the consent of the Board of Governors, may purchase and hold stock under its agreement entered into under Section 25 of the Federal Reserve Act or Regulation K, or if Holding Company or any subsidiary thereof, except with the consent of the Board of Governors, establishes any branch or agency or takes any action or undertakes any operation in Africa or elsewhere which at that time is not permissible to IBC without such consent;
- (2) That, when required by the Board of Governors, IBC will cause Holding Company or any subsidiary thereof to permit examiners appointed by the Board of Governors to examine Holding Company or any subsidiary thereof and to furnish the Board of Governors with such reports as it may require from time to time; and
- (3) That IBC will be expected to dispose of its holdings of stock of Holding Company, as promptly as practicable, in the event that Holding Company or any subsidiary thereof should at any time conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by IBC, directly or indirectly, to be inappropriate under the provisions of the agreement of IBC pursuant to Section 25 of the Federal Reserve Act or Regulation K.

Please advise the Board of Governors through the Federal Reserve Bank of New York when the acquisition of stock of Holding Company has been made, together with details regarding the transaction.

Subject to continuing observation and review, the Board suspends until further notice the provisions of subparagraph (1) of the third paragraph of this letter, so far as they relate to restrictions on loans granted by subsidiary bank or banks of Holding Company in the country in which organized and in the currency of that country.

Upon completion of the organization of the Holding Company, and each subsidiary thereof, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, copies of the

International Banking Corporation -3-

Articles of Association and By-Laws, if any, together with (a) a list of officers and directors, with addresses and principal business affiliations; (b) a list of all stockholders holding five per cent or more of any class of stock of such companies and their holdings; and (c) date established and opened for business.

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
12/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 10, 1962

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

Dear Mr. Cocke:

Reference is made to your letter of November 27, 1962, concerning the application of Continental State Bank, Alto, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

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
12/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 10, 1962

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

Dear Mr. Cocke:

Reference is made to your letter of November 27, 1962, concerning the application of First State Bank of Odem, Odem, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

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
12/10/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 10, 1962

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

Dear Mr. Cocke:

Reference is made to your letter of November 27, 1962, concerning the application of Robert Lee State Bank, Robert Lee, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

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
12/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 10, 1962



Board of Director,
Peoples Savings Bank,
Laurel, Iowa.

Gentlemen:

The Board of Governors has received a copy of a letter written by Mr. Hugh C. McCleery, President and Cashier of the Peoples Savings Bank, to Mr. Leland Ross, Vice President of the Federal Reserve Bank of Chicago, requesting approval for the declaration of a dividend of \$15,000 in December 1962. The permission of the Board for the declaration of this dividend is required under the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

After consideration of the facts, the Board approves the declaration of a dividend of \$15,000 in December 1962.

This letter does not authorize any other declaration of dividends during 1962 or later.

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. 6
12/10/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 10, 1962

Board of Directors,
Bank of Cairo,
Cairo, Missouri.

Gentlemen:

The Board of Governors has received a copy of a letter written by Mr. H. H. Wright, President of the Bank of Cairo, to Mr. O. O. Wyrick, Vice President of the Federal Reserve Bank of St. Louis, requesting approval for the declaration of dividends of \$12,500 paid in 1961 and \$7,500 paid in 1962. The declaration of these dividends required the permission of the Board under the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes. Mr. Wright's letter also requested approval for the declaration of a dividend of \$5,000 to be made in December 1962.

It is contemplated under the statute that the Board's approval, when required, will be obtained prior to the declaration of a dividend. Prior approval cannot be given to the first two dividends mentioned above since they were paid previously. After consideration of the facts, however, the Board makes no objection to the declaration of these dividends and approves the declaration of the third dividend of \$5,000 to be made in December 1962.

This letter does not authorize any other declaration of dividends during 1962 or later.

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. 7
12/10/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 10, 1962

Board of Directors,
The Prairie State Bank,
Augusta, Kansas.

Gentlemen:

The Board of Governors has received a copy of a letter written by Mr. Noah V. R. Morris, Executive Vice President of The Prairie State Bank, to the Federal Reserve Bank of Kansas City requesting approval for the declaration of a dividend up to \$50,000 in 1962. The permission of the Board to declare this dividend is required under the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

After consideration of the facts, the Board approves the declaration of a dividend up to \$50,000 in 1962.

This letter does not authorize any other declaration of dividends during 1962 or later.

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
12/10/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 10, 1962

Mr. W. C. Hartley, President,
The Miami County National Bank,
Paola, Kansas.

Dear Mr. Hartley:

This refers to the request contained in your letter of October 22, 1962, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of The Miami Agency, Inc., as a holding company affiliate.

From the information supplied, the Board understands that The Miami Agency, Inc., is primarily engaged in brokering insurance of various types, including general and life; that such company is a holding company affiliate of The Miami County National Bank, Paola, Kansas, by reason of the fact that it owns 500 of the 1,000 shares of the outstanding shares of stock of that bank, which amount owned is more than 50 per cent of the number of shares voted at the last election of the directors of the bank; and that such company does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than The Miami County National Bank.

In view of these facts, the Board has determined that The Miami Agency, Inc., is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, the Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that The Miami Agency, Inc., might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right

Mr. W. C. Hartley

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to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of the Corporation result in its attaining a position whereby the Board may deem desirable a determination that the Corporation is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 9
12/10/62

1963 BUDGET

Summary by Divisions

Schedule A

Division	1962		1963 Budget	Over (Under) 1962 Expenses
	Budget	Expenses (Estimated)		
Offices of Members of the Board	\$ 403,761	\$ 402,646	\$ 376,349	\$ (26,297)
Office of the Secretary	274,603	270,386	302,132	31,746
Legal Division	244,470	267,692	287,580	19,888
Office of the Controller	105,111	103,538	111,370	7,832
Division of Research and Statistics	1,575,357	1,532,619	1,708,440	175,821
Division of International Finance	385,972	383,406	480,848	97,442
Division of Examinations	1,024,546	985,151	1,080,307	95,156
Division of Bank Operations				
Regular	371,729	371,911	385,650	13,739
Special:				
Chain Banking Survey	-	13,242	-	(13,242)
Division of Personnel Administration	189,862	192,620	202,158	9,538
Division of Administrative Services				
Regular	1,542,001	1,565,533	1,505,818	(59,715)
Special:				
Furniture Replacement Program	977	886	75,820	74,934
Fallout Shelter Facilities	93,250	97,900	-	(97,900)
Replacement of Roof Decks	10,141	3,000	-	(3,000)
Supplements - Banking and Monetary Statistics	21,107	2,567	21,107	18,540
Modification of Computer's Air- conditioning System	7,300	7,300	-	(7,300)
Annex Building	-	1,920	80,500	78,580
Repairs - Retaining Walls, etc.	-	-	14,000	14,000
Office of Defense Planning	59,447	55,020	56,203	1,183
Division of Data Processing				
Regular	-	-	368,170	368,170
Special:				
Replacement of Charting Machine	-	-	60,000	60,000
Employee Retirement and Insurance Benefits	665,268	658,752	769,246	110,494
Total	\$6,974,902	\$6,916,089	\$7,885,698	\$ 969,609

Item No. 10
12/10/621963 Budget
Summary by Account ClassificationsSchedule B
Page 1

Classification of Expenses	Positions Provided		Amount			
	1962 Budget	1963 Budget	1962		1963 Budget	Over (Under) 1962 Expenses
			Budget	Expenses (Estimated)		
PERSONAL SERVICES						
Salaries:						
Offices of Members of the Board	32	29	\$ 362,053	\$ 355,765	\$ 347,520	\$ (8,245)
Office of the Secretary	44	47	271,803	268,061	299,432	31,371
Legal Division	25	28	189,025	214,352	251,352	37,000
Office of the Controller	14	13	101,896	100,473	106,930	6,457
Division of Research and Statistics	175	173	1,308,057	1,250,374	1,344,340	93,966
Division of International Finance	43	48	365,247	363,099	441,823	78,724
Division of Examinations	83	85	709,601	686,622	777,568	90,946
Division of Bank Operations	50	49	357,774	359,734	375,025	15,291
Division of Personnel Administration	30	30	160,920	162,104	169,354	7,250
Division of Administrative Services	152	147	666,342	677,058	653,835	(23,223)
Office of Defense Planning	3	3	39,897	41,214	44,303	3,089
Division of Data Processing	-	22	-	-	146,525	146,525
Total - Positions and Salaries	651	674	\$4,532,615	\$4,478,856	\$4,958,007	\$479,151
Fees			\$ 54,520	\$ 41,590	\$ 53,449	\$ 11,859
Retirement Contributions			612,203	613,052	719,447	106,395
Employee Insurance			43,972	44,422	48,421	3,999
Total Personal Services			\$5,243,310	\$5,177,920	\$5,779,324	\$601,404

1/ Including 10 stenographic recruit positions.
 2/ Excluding Cafeteria Salaries.
 3/ Established January 1, 1963.

Classification of Expenses	1962		1963 Budget	Over (Under) 1962 Expenses
	Budget	Expenses (Estimated)		
NONPERSONAL SERVICES				
Traveling Expenses	\$ 367,383	\$ 357,269	\$ 372,227	\$ 14,958
Postage and Expressage	83,527	74,140	101,802	27,662
Telephone and Telegraph	101,718	104,716	103,370	(1,346)
Printing and Binding	284,541	288,214	357,050	68,836
Stationery and Supplies	58,022	59,649	58,155	(1,494)
Furniture and Equipment	31,492	31,486	171,039	139,553
Rentals	207,725	205,283	284,178	78,895
Books and Subscriptions	20,725	21,175	22,155	980
Heat, Light and Power	54,120	55,382	55,400	18
Repairs and Alterations (Building and Grounds)	125,561	118,817	30,640	(88,177)
Repairs and Maintenance (Furniture and Equipment)	13,335	13,971	15,876	1,905
Insurance	10,070	2,146	2,038	(108)
Contractual Professional Services	272,225	290,317	408,045	117,728
Auditing Books of Board	2,500	2,500	3,500	1,000
Review of Examinations Procedures	14,000	14,000	12,000	(2,000)
Consumer Finances Surveys	125,000	109,183	265,000	155,817
Consumer Buying Intentions Survey	65,000	97,556	-	(97,556)
Legal and Consultant Fees and Expenses	46,975	48,392	109,950	61,558
Security Clearance Investigations	15,050	13,650	14,000	350
Translating, Transcripts and Reporting Service	3,700	5,036	3,595	(1,441)
All Other	101,148	115,604	124,399	8,795
Cafeteria (net)	53,000	50,776	55,775	4,999
Special Statistical Services	25,300	41,242	23,800	(17,442)
Official Dinners, Receptions, etc.	2,725	4,261	5,065	804
Meals for Official Guests	3,235	3,932	3,900	(32)
News Ticker Service	3,154	3,154	3,154	-
Tuition and Registration	5,530	5,876	7,568	1,692
Administrative Conference of U. S.	1,000	-	-	-
Miscellaneous	7,204	6,363	7,137	774
CEMLA Membership Fee	-	-	18,000	18,000
Total Nonpersonal Services	\$1,731,592	\$1,738,169	\$2,106,374	\$368,205
Total Personal Services	5,243,310	5,177,920	5,779,324	601,404
Grand Total	\$6,974,902	\$6,916,089	\$7,885,698	\$969,609

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

METROPOLITAN D. C. PREVAILING RATE WAGE SCHEDULE

BASIC ANNUAL PAY RATES BY GRADE

Note: This schedule applies to manual labor, semi-skilled and skilled manual labor, trade and craft positions in the Mechanical Force section of the Division of Administrative Services.

<u>Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>	<u>Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>
1	\$2,850	\$2,995	\$3,141	9	\$5,616	\$5,907	\$6,198
2	3,328	3,494	3,661	10	5,845	6,157	6,469
3	3,765	3,973	4,181	11	6,074	6,386	6,698
4	4,243	4,472	4,701	12	6,490	6,822	7,155
5	4,701	4,950	5,200	13	6,906	7,259	7,613
6	4,950	5,200	5,470	14	7,363	7,758	8,154
7	5,158	5,429	5,699	15	7,862	8,278	8,694
8	5,387	5,678	5,970	16	8,382	8,819	9,256
				17	8,923	9,402	9,880

Step 1 is the normal entrance level for all grades. Advancement to Step 2 occurs after 26 weeks of satisfactory service in Step 1. Advancement to Step 3 occurs after an additional 78 weeks of satisfactory service in Step 2.

This schedule supercedes the one effective December 10, 1961.

SALARY ADJUSTMENTS WHICH WOULD RESULT
FROM A REVISION OF THE BOARD'S PREVAILING RATE
WAGE BOARD SCHEDULE EFFECTIVE DECEMBER 9, 1962

<u>Budget Position Number</u>	<u>Employee</u>	<u>Position</u>	<u>Wage Board Grade/Step</u>	<u>Annual Salary Rate</u>		<u>Amount of Increase</u>	<u>% Inc.</u>
				<u>Present</u>	<u>Proposed</u>		
<u>MECHANICAL FORCE</u>							
1	Young, Herbert W.	Building Super- intendent	16/3	\$8,902	\$9,256	\$354	3.97%
2	Lindamood, Charles D.	Prin. Operating Engineer	12/3	6,885	7,155	270	3.92
3	Myers, Arthur S.	Electrician - Operating Engineer	12/3	6,885	7,155	270	3.92
4	Blash, John	Carpenter - Operating Engineer	11/3	6,448	6,698	250	3.87
5	Maddox, P. D.	General Mechanic - Operating Engineer	5/2	4,701	4,950	249	5.29
6	Steger, Karl J.	Steamfitter - Operating Engineer	10/3	6,198	6,469	271	4.37
7	Hopkins, Glenn B.	Painter	9/3	5,949	6,198	249	4.18
8	Rabbitt, Bruce L.	Painter	9/3	5,949	6,198	249	4.18
9	Tedrow, Paul L.	Operating Engineer	7/2	5,179	5,429	250	4.82
10	Mayhew, Morris	Gardener	6/3	5,200	5,470	270	5.19
12	Clanton, Saul	Grounds Maintenance Worker	5/2	4,701	4,950	249	5.29
<u>LABOR FORCE</u>							
3	Edmonds, Henry	Window Washer	3/2	3,827	3,973	146	3.81
TOTAL				<u>\$70,824</u>	<u>\$73,901</u>	<u>\$3,077</u>	<u>4.34%</u>