

Minutes for January 7, 1963

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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 5 Amendment to Regulation G,
Collection of Noncash Items.

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

(Handwritten initials and signatures)

Minutes of the Board of Governors of the Federal Reserve System on Monday, January 7, 1963. 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Spencer, General Assistant, Office of
the Secretary
Mr. Morgan, Editorial Specialist, Board
Members' Offices

Messrs. Noyes, Koch, Brill, Garfield, Holland,
Williams, Dembitz, Solomon, Eckert, Partee,
Weiner, Broida, Freedman, and Manookian
of the Division of Research and Statistics

Messrs. Hersey, Katz, Irvine, Reynolds, Gemmill,
Klein, Maroni, Nettles and Miss Junz
of the Division of International Finance

Economic review. The Divisions of International Finance and Research and Statistics presented a review of recent international and domestic economic and financial developments.

Following discussion based on the review, all members of the staff except Messrs. Sherman, Kenyon, Young, Molony, Fauver, Noyes, and Spencer withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations

1/7/63

-2-

Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Assistant General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division of
 Examinations
 Mr. Thompson, Assistant Director, Division of
 Examinations
 Mr. Doyle, Attorney, Legal Division

Ratification of actions. Actions taken by the available members of the Board at meetings held on December 21, 1962, and January 4, 1963, as recorded in the minutes of those meetings, were ratified by unanimous vote. Also by unanimous vote, the sending of the following letter, pursuant to approval by the available member of the Board (Governor Robertson) on December 31, 1962, was ratified:

Letter to Morgan Guaranty International Finance Corporation, New York, New York, granting consent to the purchase of additional shares of Peruano-Suiza de Fomento e Inversiones Sociedad Anonima, Lima, Peru. (Copy attached as Item No. 1.)

Call for condition reports. Mr. Sherman reported that in accordance with the usual procedure a telegram had been sent on December 28, 1962, to the Presidents of all Federal Reserve Banks requesting that a call be made on State member banks on January 3, 1963, for reports of condition as of December 28, 1962.

The action taken in sending the telegram was ratified by unanimous vote.

Distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

1/7/63

-3-

	<u>Item No.</u>
Letter to the Department of Justice with respect to the question whether an appeal should be taken from a District Court decision in a matter related to the litigation concerning the Whitney Holding Corporation application.	2
Letter to S-J Management Corporation, Joliet, Illinois, granting a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.	3

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on January 4, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Report on competitive factors (New York, New York). There had been distributed to the Board a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of First National City Trust Company, New York, New York, into First National City Bank, New York, New York. The conclusion in the report read as follows:

The proposed merger of First National City Trust Company, New York City, New York, into First National City Bank, New York City, New York, would not have an adverse effect on competition.

The report was approved unanimously for transmittal to the Comptroller.

1/7/63

-4-

Report on competitive factors (Columbus-Reynoldsburg, Ohio).

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 Reynoldsburg Bank, Reynoldsburg, Ohio, into The City National Bank & Trust Company of Columbus, Columbus, Ohio.

During discussion a change in the conclusion of the report suggested by Governor Robertson was agreed upon, after which the report was approved unanimously for transmittal to the Comptroller. The conclusion in the report, as transmitted, read as follows:

The service area of The Reynoldsburg Bank lies within that of The City National Bank & Trust Company of Columbus and competition, actual or potential, between these two banks would be eliminated by a merger of them. However, at this time there are practically no common borrowers or depositors. Consummation of this proposed merger apparently will not have adverse effects on any small banks, but it will eliminate, as a separate entity, a fairly recently established bank which has grown quite rapidly and has served the area well.

Report on competitive factors (San Diego-La Verne, California).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger to The First National Bank of La Verne, La Verne, California, into The United States National Bank of San Diego, San Diego, California.

Before commenting upon the report, Mr. Leavitt distributed to the Board a draft of revised conclusion. Following consideration thereof, it was indicated that the proposed change, further amended to reflect several suggestions made during the course of the discussion, was satisfactory to the Board. Agreement was also indicated with certain changes

1/7/63

in the body of the report. The report was then approved unanimously for transmittal to the Comptroller, with the conclusion reading as follows:

There is no evidence of present competition existing between the two banks involved in this proposal. However, the service area of United States Bank's approved, but not yet established, office in Pomona is contiguous to First National's primary service area, and First National derives about 4 per cent of its business from the Pomona service area. Consummation of this merger would eliminate potential competition between these banks, would further the already heavy concentration of banking resources in California among branch banking systems and deprive residents of the La Verne area the choice of dealing with a local unit bank or a large branch banking system. However, a merger with The United States National Bank of San Diego would be with a smaller branch banking organization which would probably be able to compete more effectively with offices of neighboring wide-spread branch banking systems than The First National Bank of La Verne, which is hemmed in by competition of this nature.

Messrs. Noyes and Doyle withdrew from the meeting at this point.

Amendment to Regulation G (Items 4, 5, and 6). At its meeting on October 22, 1962, the Board approved for publication in the Federal Register notice of a proposed amendment to Regulation G, Collection of Noncash Items, that would define noncash items as including "checks, drafts, and other items with special instructions or requiring special handling," to become effective June 1, 1963. The purpose of the proposed amendment was to discourage the use of envelope drafts and other "headache" items that could not easily be handled on automated check-processing equipment. In this connection, there now had been distributed a memorandum dated January 2, 1963, from the Legal Division recommending that the Board adopt the amendment in the form proposed earlier, but that it be made effective January 1, 1964.

1/7/63

-6-

At the Board's request, Mr. Hackley commented on this subject, pointing out that only two letters had been received concerning the proposed amendment. One was from the Association of American Railroads and the other from Uni-Serv Corporation; both organizations had indicated a desire to have the effective date postponed in order to allow more time for adjustment of existing practices. The proposed amendment, which had been considered by the Conference of Presidents in September 1962, was again considered on December 3, 1962, at which time it was the consensus of the Conference that there would be no objection to making the effective date January 1, 1964. If the Board approved the amendment, effective on that date, it was suggested that the Association of American Railroads and Uni-Serv Corporation be advised to such effect. Drafts of letters to those two organizations had been included with the Legal Division's memorandum.

Following discussion, the amendment to Regulation G was approved unanimously, effective January 1, 1964. A copy of the amendment, in the form approved, is attached as Item No. 4. A copy of the letter sent to the Association of American Railroads with respect to the effective date of the amendment is attached as Item No. 5; a similar letter was sent to Uni-Serv Corporation. A copy of the letter sent to the Federal Reserve Banks is attached as Item No. 6.

Regulation Q (Item No. 7). There had been distributed a memorandum dated January 3, 1963, from the Legal Division regarding a

1/7/63

-7-

proposed amendment to Regulation Q, Payment of Interest on Deposits, that would require a member bank to modify the interest rate stipulated in outstanding deposit contracts if necessary to conform to any action by the Board reducing the maximum permissible rate, unless such action by the Board should provide otherwise.

It was pointed out in the memorandum that the Board had tentatively approved the proposed amendment on November 26, 1962, with the understanding that it would be redrafted in order to include an exception with respect to certificates of one year or less, and that before publishing the proposed amendment in the Federal Register the matter would be discussed with the Federal Deposit Insurance Corporation to provide for simultaneous publication of a similar proposed amendment to the interest regulations of the Corporation.

The memorandum went on to point out that letters had been received from The First National Bank, Port Arthur, Texas, inquiring whether the bank could continue to pay the present maximum rate under a three-year deposit contract if the Board during that period should reduce the maximum rate below the contract rate. In this connection, there was attached to the memorandum a proposed letter to the Port Arthur bank that would take the position that, under section 217.3(b) of Regulation Q, a member bank must take such action as might be necessary, "consistently with its contractual obligations," to bring outstanding certificates into conformity with the provisions of the

1/7/63

Regulation, but that a member bank could continue to pay the contract rate provided in a three-year contract until the maturity of the deposit, even though the Board should reduce the maximum permissible rate below the stipulated contract rate, unless the bank could modify the contract rate consistently with its contractual obligations. Further, the proposed letter would indicate that the practice of issuing long-term certificates might in some circumstances constitute an unsound banking practice and that, if the issuance of such certificates should become so widespread as to require such action, the Board might wish to consider action to prevent or discourage such practices.

At the Board's request, Mr. Hackley commented, basing his remarks substantially upon the information contained in the memorandum of January 3. He said that he had talked with Mr. John Lord, General Counsel of the Federal Deposit Insurance Corporation, to inquire whether he (Mr. Lord) would be inclined to agree with the position stated in the proposed letter to the Port Arthur bank, and whether any conclusion had yet been reached by the Corporation as to the desirability of the proposed amendment to Regulation Q. Mr. Lord indicated agreement with the interpretation stated in the draft letter. He also indicated that he had discussed the matter of the proposed amendment to Regulation Q with Chairman Cocke and Director Wolcott, and that it was their feeling that an amendment to the Corporation's interest regulations should not be adopted at this time.

1/7/63

-9-

In further comment, Mr. Hackley said he would recommend that the Port Arthur bank be advised in the manner reflected by the draft letter, and that no further action be taken at this time with respect to the proposed amendment to Regulation Q.

Following Mr. Hackley's comments, Governor Robertson said that he would go in the opposite direction. If the letter was approved by the Board, that would amount to telling the bank, in effect, that it could do as it chose. In his view, banks should not be placed in such a position. The Board should clearly state whether or not a bank would be permitted to pay the contract rate if the Board reduced the maximum permissible rate below the contract rate.

Governor Robertson went on to comment that he disagreed with the view reportedly expressed on behalf of Messrs. Cocke and Wolcott. As he saw it, it was important to take some form of action before "the horse got out of the barn." He felt that the amendment which the Board had tentatively agreed upon was fair, and that the Board should proceed to publish the proposed amendment for comment. It might be helpful to both the Board and the Federal Deposit Insurance Corporation to have comments on the proposal.

During further discussion, Governor Robertson indicated that he was surprised to learn of the statement made by the General Counsel of the Corporation, since he had understood in an earlier conversation with Chairman Cocke that he (Mr. Cocke) favored such an amendment.

1/7/63

-10-

Chairman Martin then suggested that the matter be explored further with the Corporation, especially in the light of Governor Robertson's understanding of Chairman Cocke's earlier view, in order to determine the present position of the Corporation.

General agreement was expressed with postponing publication of the proposed amendment to Regulation Q until Governor Robertson discussed the subject further with Mr. Cocke, after which it was understood that the matter would be considered again.

Discussion then turned to the draft of letter to the Port Arthur member bank and certain suggestions for changes made by Governors Balderston and Robertson were agreed upon. The letter was then approved in the form attached as Item No. 7.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Mills approved on behalf of the Board on the dates indicated the following items:

On December 26, 1962:

Memorandum from the Division of Examinations recommending the appointment of Frank P. Herigstad as Assistant Federal Reserve Examiner, with basic annual salary at the rate of \$5,205, effective the date of entrance upon duty.

Letter to the Federal Reserve Bank of Kansas City (attached Item No. 8) approving the appointment of Leo Lavern Schiesser as examiner.

On December 27, 1962:

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

1/7/63

-11-

Appointment

Bettie M. Tuttle as Secretary, Division of Research and Statistics, with basic annual salary at the rate of \$5,365, effective the date of entrance upon duty.

Continuance of half-time employment

Daviette H. Stansbury, Research Assistant (Data Processing), Division of Data Processing, employment continued on a half-time basis, with the understanding that this arrangement would be reviewed again at the end of calendar year 1963.

Reappointment of consultants

Professors Almarin Phillips and James R. Schlesinger, both of the University of Virginia, as consultants in the Division of Research and Statistics, effective as of January 1, 1963, and until December 31, 1963, on a temporary contractual basis, with compensation for each at the rate of \$75 per day for each day worked for the Board either in Washington or outside the city and, when in travel status, transportation expenses and a per diem allowance to be paid in accordance with the Board's travel regulations.

Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on December 31, 1962, memoranda from the Division of Bank Operations recommending the following actions relating to persons in that Division, effective January 1, 1963:

Salary increases

Daisy L. Condon, Secretary, from \$5,365 to \$5,715 per annum.

Theodore A. Veenstra, from \$11,150 to \$11,515 per annum, with a change in title from Technical Assistant to Chief, Call Report Section.

Acting in the absence of Governor Shepardson, Governor Mills approved on behalf of the Board on the dates indicated the following items:

On January 2, 1963:

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

1/7/63

-12-

Appointment

Emanuel O. Melichar as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$11,515, effective the date of entrance upon duty.

Salary increases, effective January 6, 1963

Robert R. Wyand, Economist, Division of Research and Statistics, from \$6,675 to \$6,900 per annum.

Peggy Jo Powles, Special Assistant Federal Reserve Examiner, Division of Examinations, from \$4,390 to \$4,530 per annum.

Richard B. Freidman, Assistant Federal Reserve Examiner, Division of Examinations, from \$7,125 to \$7,350 per annum.

Louis W. Zidek, Federal Reserve Examiner, Division of Examinations, from \$9,790 to \$10,105 per annum.

Transfers

Karen Ditta, from the position of Stenographer in the Division of Examinations to the position of Clerk-Stenographer in the Division of Bank Operations, with no change in salary at the rate of \$4,250 per annum, effective January 2, 1963.

Barbara B. Kay, from the position of Operator (Key Punch) in the Division of Data Processing to the position of Statistical Clerk in the Division of Research and Statistics, with an increase in basic annual salary from \$4,240 to \$4,530, effective January 6, 1963.

On January 3, 1963:

Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 9) approving the appointment of Thomas H. Cooper as assistant examiner.

Letters to the Federal Reserve Banks of Cleveland, Chicago, and San Francisco (attached Items 10, 11, and 12) approving the designation of certain persons at those Banks as special assistant examiners.

Letters to all foreign banking and foreign financing corporations calling for reports of condition as of December 31, 1962.

On January 4, 1963:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 13) approving the appointment of Richard LeRoy Leonard as assistant examiner.

1/7/63

-13-

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Appointment

Myron B. Jonsberg, Jr., as Research Assistant, Division of Research and Statistics, with basic annual salary at the rate of \$5,035, effective the date of entrance upon duty.

Salary increases, effective January 6, 1963

Richard H. Kaufman, Economist, Division of International Finance, from \$8,575 to \$9,475 per annum.
 Jacqueline Schuster, Statistical Clerk, Division of Bank Operations, from \$4,670 to \$5,045 per annum.
 Herbert H. Hagler, Review Examiner, Division of Examinations, from \$9,635 to \$10,420 per annum.

Transfer

Mary Malinchock, from the position of Statistical Clerk in the Division of Bank Operations to the position of Statistical Clerk in the Division of Examinations, with an increase in basic annual salary from \$5,525 to \$5,885, effective January 6, 1963.

Acceptance of resignation

Julian H. Atkinson, Economist, Division of Research and Statistics, effective at the close of business January 11, 1963.

Governor Shepardson today approved on behalf of the Board the following items:

Letter to Dr. Frederic D. Chapman confirming arrangements for the annual physical examination of all employees in the Board's cafeteria, a fee of \$125 to be paid upon completion of the examinations.

Memorandum from the Division of Bank Operations recommending that Edna Kiatta Noyes, Statistical Clerk in that Division, be granted an extension of leave without pay for a period not to exceed 31 days from January 1, 1963, pending action on her application for disability retirement.

Memorandum from the Division of Research and Statistics recommending that Gertrude Weiss be reappointed as Consultant in the Division effective to December 31, 1963, on a temporary contractual basis, with compensation at the rate of \$50 per day for each day worked for the Board, and, when in travel status, transportation expenses and a per diem allowance to be paid in accordance with the Board's travel regulations.

1/7/63

-14-

Memoranda from appropriate individuals concerned recommending meritorious salary increases for the following persons on the Board's staff, effective January 7, 1963:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Legal</u>			
Gertrude Booth, Secretary		\$ 5,035	\$ 5,205
Jean Crosby, Secretary		6,835	7,020
<u>International Finance</u>			
Robert F. Emery, Economist		9,790	10,105
Robert F. Gemmill, Economist		13,270	13,695
Thomas M. Klein, Economist		11,150	11,515
<u>Bank Operations</u>			
John C. Franzoni, Technical Assistant		11,365	11,680
P. D. Ring, Technical Assistant		10,105	10,420
Thomas G. Young, Analyst		5,910	6,095
<u>Examinations</u>			
Robert G. Sundberg, Review Examiner		10,735	11,050
Anna S. Courtney, Supervisor, Recording and Stenographic Section		6,650	6,835
Evelyn W. Edwards, Secretary		6,650	6,835
<u>Data Processing</u>			
Marjorie M. Gray, Digital Computer Programming Assistant		4,390	4,530
<u>Personnel Administration</u>			
John J. Hart, Personnel Assistant		12,245	12,610
<u>Research and Statistics</u>			
Murray S. Wernick, Senior Economist		16,005	16,485
Elizabeth Ann Pike Ulrey, Economist		11,515	11,880
Evelyn M. Hurley, Economist		9,790	10,105
Wilellyn Morelle, Economist		8,840	9,105

1/7/63

-15-

Salary increases, effective January 7, 1963 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Monica F. Jones, Statistical Assistant		\$6,650	\$6,835
Harvey A. Robinson, Statistical Assistant		6,835	7,020
Ann M. Peters, Statistical Assistant		5,365	5,525
Charles G. Trescott, Library Assistant		5,685	5,845
Elizabeth L. Robinson, Statistical Clerk		4,250	4,390
Sidney Washington, Library Assistant		5,090	5,230
Starr Morris, Clerk-Typist		3,925	4,030
Myron A. Grove, Economist		9,105	9,370

Administrative Services

Helen L. Hulen, Chief, Publications Services Section		7,575	7,800
Geraldine Venable, Clerk-Cashier, Cafeteria		4,190	4,295
Lloyd G. Luna, Guard		3,875	3,980
Frances Willis, Charwoman		3,455	3,560

Pursuant to the Board's action of October 11, 1962, establishing the Division of Data Processing, the following persons were transferred from the Divisions indicated to the new Division, effective January 1, 1963:

<u>Name</u>	<u>Division</u>
Maurice H. Schwartz	Research and Statistics
Lee W. Langham	Bank Operations
Donald B. Fitzhugh	Administrative Services
Robert M. Steinberg	Research and Statistics
Lewis H. Spellman	Research and Statistics
Winofred Racz	Research and Statistics
Daviette Hill Stansbury	Research and Statistics
Louis S. Zeller	Research and Statistics
JoAnn Murray	Bank Operations
Albert C. Bain	Administrative Services
Robert H. Craft	Administrative Services
Louise Lewis Hiller	Administrative Services
Nancy H. Keen	Research and Statistics

1/7/63

-16-

<u>Name</u>	<u>Division</u>
Darrell G. Pepper	Research and Statistics
Lyla E. Szillat	Administrative Services
Marjorie M. Gray	Research and Statistics
Charles M. Wrenn	Administrative Services
Wilhelmina K. Steele	Administrative Services
Barbara B. Kay	Administrative Services
Ray M. Reeder	Administrative Services
Bernard A. Thomasson	Administrative Services


Secretary

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

Item No. 1
1/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1962.



Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of November 7, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation to purchase and hold 2,500 additional shares, par value Peruvian Soles 1,000 each, of the capital stock of Peruano-Suiza de Fomento e Inversiones Sociedad Anonima, ("Peruinvest"), Lima, Peru, at a cost of approximately US\$116,900, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted subject to the same conditions prescribed in the Board's letter of March 22, 1962, granting consent to the purchase of 5,000 ordinary shares of Peruinvest.

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
1/7/63

47

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1963

Mr. Joseph D. Guilfoyle,
Acting Assistant Attorney General,
Civil Division,
Department of Justice,
Washington 25, D. C.

Re your JDG:MH:PBH - 145-3-562

Dear Mr. Guilfoyle:

This is in reply to your letter of December 19, 1962, requesting the views of the Board of Governors as to whether an appeal should be taken from the decision of the District Court in Bank of New Orleans and Trust Company v. James J. Saxon (1857-62, USDC Dist. Col.). You point out that this case is closely related to the action pending in the Fifth Circuit Court of Appeals for review of the Board's Order of May 3, 1962, approving an application by Whitney Holding Corporation under the Bank Holding Company Act.

Although the District Court's decision has an important bearing on the "procedural" status of the action in the Fifth Circuit, it is not clear that its ratio decidendi would have any bearing on the "substantive" questions that would be presented to the Court of Appeals. Regardless of this, however, the Board is concerned regarding possible implications of the District Court's reasoning, as discussed below, and for that reason the Board believes an appeal is advisable.

The opinion of the District Court states that "the Comptroller has no discretion to issue a certificate of authority to a new bank that will operate in a manner prohibited by law", and it is clear from the context that the Court was referring to State law as well as Federal law. If this doctrine were applied generally, it might seriously impede the operations of the Federal agencies. To cite an extreme example, the principle underlying the District Court's decision might require the Comptroller of the Currency, in passing upon a national bank charter application, to investigate local zoning statutes or ordinances and to deny the application if the new bank was to be situated in an area zoned for residential use exclusively. Likewise, in deciding whether to permit the formation of a bank holding company system, the Board of Governors might be obliged to explore State corporation laws and to deny the application under the Bank Holding Company Act if the applicant

Mr. Joseph D. Guilfoyle

-2-

corporation proposed to have a number of directors in excess of the maximum prescribed by State law or to issue stock of a lower par value than the minimum prescribed by State law, to mention two random examples.

It is hardly necessary to point out that any such rule could interfere with the expeditious discharge of the responsibilities of Federal agencies and would be an inefficient and otherwise undesirable procedure for the interpretation and enforcement of State laws. Accordingly, it appears to the Board of Governors that an appeal from the District Court's decision would be in the public interest.

A similar question was presented to the Board of Governors, in its administration of the Bank Holding Company Act, in Matter of First New York Corporation, 1958 Federal Reserve Bulletin 902. In its Statement in that case, the Board discussed the question at some length and concluded that the fact that transactions contemplated in an application under the Bank Holding Company Act might be in contravention of a State statute did not, as a matter of law, preclude the Board from approving the application under the Federal statute.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 3
1/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1963.



Mr. Wm. F. O'Meara, Jr., President,
S-J Management Corporation,
50 West Jefferson Street,
Joliet, Illinois.

Dear Mr. O'Meara:

This refers to the request contained in your letter of December 26, 1962, submitted through the Federal Reserve Bank of Chicago, for a determination by the Board of Governors of the Federal Reserve System as to the status of S-J Management Corporation as a holding company affiliate.

From the information supplied, the Board understands that the sole business of S-J Management Corporation consists of holding and controlling stock of The Streator National Bank, Streator, Illinois; and that such Corporation is a holding company affiliate of The Streator National Bank by reason of the fact that it owns approximately 58 per cent of the outstanding shares of stock of that bank; and that such Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that S-J Management Corporation 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 (12 U.S.C. 221a); 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 S-J Management Corporation, might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

Mr. Wm. F. O'Meara

-2-

Should future activities of, or acquisitions by the Corporation, particularly in bank stocks, even though not constituting control, result in the Corporation attaining a position whereby the Board may deem desirable a determination that the Corporation is engaged in the business of holding bank stocks, 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. 4
1/7/63

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. G]

PART 207 - COLLECTION OF NONCASH ITEMS

Definition of Noncash Items

1. Effective January 1, 1964, paragraphs (d) through (f) of § 207.1 are redesignated as paragraphs (e) through (g), respectively, and the following new paragraph (d) is added:

§ 207.1 - Definition of noncash items.

* * * * *

(d) Checks, drafts, and other items with special instructions or requiring special handling;

2a. The purpose of this amendment is to reduce the volume of items collected by the Federal Reserve Banks as "cash items" which, because of their physical nature, require special handling.

b. The amendment set forth herein was the subject of a notice of proposed rule making published in the Federal Register (27 F.R. 10503), and was adopted by the Board after consideration of all relevant views and arguments received from interested persons.

-2-

(Sec. 11(i), 38 Stat. 262; 12 U.S.C. 248(i). Interpret
or apply secs. 13, 16, 38 Stat. 263, 265, as amended; 12 U.S.C. 248(o),
342, 360)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

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

Item No. 5
1/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1963

Mr. Wayne Irwin, Vice President,
Finance, Accounting, Taxation
and Valuation Department,
Association of American Railroads,
Transportation Building,
Washington 6, D. C.

Dear Mr. Irwin:

This refers to your letter of November 12, 1962, commenting on a proposal, published in the Federal Register for October 27, 1962, to amend the Board's Regulation G in order to define noncash items as including "checks, drafts, and other items with special instructions or requiring special handling".

After consideration of your letter and of other comments received by the Board, the Board has adopted the proposed amendment in the form in which it was published in the Federal Register, but the Board's action provides that the amendment shall not become effective until January 1, 1964. A copy of the amendment in the form prepared for publication in the Federal Register is enclosed for your information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

S-18534
Item No. 6
1/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1963.

Dear Sir:

This refers to the proposed amendment to section 207.1 of Regulation G, defining noncash items as including "checks, drafts, and other items with special instructions or requiring special handling," which was published in the Federal Register for comment on October 27, 1962.

Only two letters of comment have been received by the Board, both suggesting that the effective date of the proposed amendment be postponed beyond June 1, 1963, the date contemplated by the proposal. During further discussion of this matter at the Conference of Presidents on December 3, 1962, it was the consensus of the Conference that it would see no objection to making the effective date January 1, 1964.

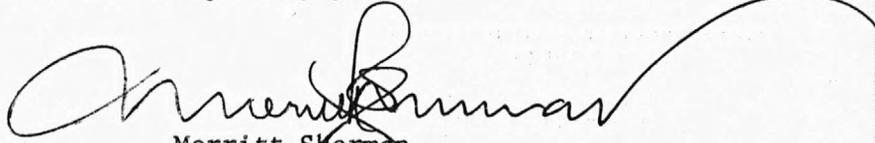
Accordingly, the Board has adopted the amendment in the form in which it was earlier proposed but to become effective January 1, 1964, instead of June 1, 1963. A copy of the amendment in the form prepared for publication in the Federal Register is enclosed for your information.

As indicated in the Board's letter of October 22, 1962, it is understood that, as of the effective date of the amendment, (1) conforming changes will be made by the Federal Reserve Banks in their operating letters or circulars regarding the collection of noncash items; (2) the word "should" will be changed to "must" in the uniform paragraph of the cash collection circulars of the Reserve Banks that now provides that items with passbook, certificate, or any other document attached, and items with special instructions or requiring special handling "should" be sent to the Reserve Bank as noncash items; and (3) at least six months prior to the effective date of the amendment a circular letter



regarding this matter will be sent by the Reserve Banks to banks in their districts.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 7
1/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 7, 1963

Mr. W. G. Thornell, President,
The First National Bank,
Port Arthur, Texas.

Dear Mr. Thornell:

This refers to your letters of November 2 and December 20, 1962, regarding the question whether it would be permissible for a member bank that issues a 3-year certificate of deposit bearing the maximum rate of interest permissible under Regulation Q to continue to pay the rate specified in the contract if the Board should later reduce the maximum permissible rate below the contract rate.

As you know, the Board is required by section 19 of the Federal Reserve Act to limit from time to time the rate of interest that may be paid by member banks on time and savings deposits. Section 217.3(b) of Regulation Q, prescribed pursuant to the Federal Reserve Act, provides that no certificate of deposit shall be renewed or extended unless modified to conform to the provisions of the Regulation and, further, that every member bank "shall take such action as may be necessary, as soon as possible consistently with its contractual obligations, to bring all of its outstanding certificates of deposit or other contracts into conformity with the provisions" of the Regulation. Consequently, if during the 3-year period of the contract the Board should reduce the maximum permissible rate to a percentage lower than that stipulated in the contract, the member bank could continue to pay the contract rate until the end of the 3-year period if it could not, "consistently with its contractual obligations", modify the contract to provide for the lower rate.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 8
1/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 26, 1962.



Mr. L. F. Mills, Vice President,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Mills:

In accordance with the request contained in your letter of December 17, 1962, the Board approves the appointment of Leo Lavern Schiesser, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Kansas City, effective January 1, 1963. Please advise the salary rate.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 9
1/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 3, 1963

Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of December 14, 1962, the Board approves the appointment of Thomas H. Cooper as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 10
1/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1963

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

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of December 20, 1962, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland:

John H. Benz
Alfred Delattre
William G. Herbert

The names of P. Monholland and Albert Nuske have been deleted from the list of special assistant examiners, as requested.

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. 11
1/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1963

Mr. Leland Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of December 24, 1962, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Chicago for the purpose of participating in examinations of State member banks:

Betzel, Robert
Kuhlmann, Richard C.
O'Connor, Joseph
Sobecki, Ira

Sobecki, Leonard F.
Soper, John M.
VorderLandwehr, Dale
Wlodarczyk, Donald

The name of F. F. Woodling has been deleted from the list of special assistant examiners, as requested.

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. 12
1/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 3, 1963

Mr. H. E. Hemmings, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Hemmings:

In accordance with the request contained in your letter of December 14, 1962, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in examinations of State member banks:

E. S. Bishop	W. P. Schneider
G. A. Bruce	D. W. Auld
T. R. Doonan	W. A. Kidd
D. M. Hale	J. J. McKittrick
R. J. Morgan	J. L. Shipp
D. V. Murnane	J. M. Nielsen
D. M. O'Connor	K. S. Pattee

The authorization heretofore given your Bank to designate Mr. Pattee as a special assistant examiner is hereby canceled, and appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 13
1/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1963

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

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of December 27, 1962, the Board approves the appointment of Richard LeRoy Leonard as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.