

Minutes for January 9, 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 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.

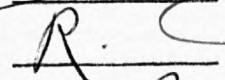
Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

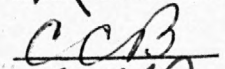


Gov. Mills

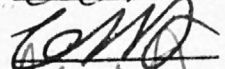
Gov. Robertson



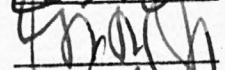
Gov. Balderston



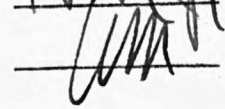
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Wednesday, January 9, 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. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. Daniels, Assistant Director, Division of Bank Operations  
Mr. Kiley, Assistant Director, Division of Bank Operations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on January 7, 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.

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

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Item No.

Letter to Northwest Bancorporation, Minneapolis, Minnesota, granting permission to organize a corporation under section 25(a) of the Federal Reserve Act to be known as "Northwest International Bank," New York, New York, for the purpose of engaging in international or foreign banking, and transmitting a preliminary permit.

1

Letter to Northwestern State Bank, Chippewa Falls, Wisconsin, approving its application for membership in the Federal Reserve System.

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Mr. Goodman withdrew from the meeting at this point.

Method of transportation of new Federal Reserve notes. At the December 3, 1962, meeting of the Conference of Presidents, Mr. Swan, Chairman of the Committee on Miscellaneous Operations, reviewed the status of a proposal of Brink's, Incorporated, for transporting new Federal Reserve notes. The Conference concluded that the Subcommittee on Cash, Leased Wire, and Sundry Operations should continue negotiations with Brink's. The Conference further concluded that (1) consideration should be given to a combination of transportation by air and truck; (2) deliveries to all Federal Reserve offices should be considered, and (3) the Subcommittee should discuss the proposal with the Bureau of Engraving and Printing and the Treasury Department as well as with Brink's.

In a memorandum from Mr. Kiley dated December 19, 1962, copies of which had been distributed, reference was made to a discussion between Mr. Swan and the Division of Bank Operations. Mr. Swan had expressed the view that because of the Board's previous position concerning the movement

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of new Federal Reserve notes from Washington by armored car, it would seem desirable to ascertain the Board's present position before discussions were held with the Bureau of Engraving and Printing and with the Office of the Treasurer of the United States. The memorandum noted that should the Board have no objection to air-truck combination, Mr. Swan would like the Division of Bank Operations to participate in the discussion of this particular part of the over-all proposal.

The memorandum went on to review the background of the question, which involved a continuation of the study of the joint Armored Car, Inc. and Brink's, Incorporated proposal to transport new Federal Reserve notes from Washington to the Federal Reserve Banks, received by the Board and referred to the Presidents in 1961. The current Brink's proposal, on a suggested performance schedule, offered a base price of \$1,000,000 for truck transportation and \$900,000 for transportation by truck and air in combination, which would be a saving of \$86,000 and \$186,000, respectively, over Post Office charges. Moreover, Brink's was offering door-to-door service not available in many Federal Reserve cities under the Post Office arrangement. Furthermore, the Brink's offer included whatever cost would be necessary to provide for full private insurance of the currency shipments. With reference to air transportation, the memorandum noted that the Chief Postal Inspector was recently sufficiently concerned with the possibility of holdup of mail trains to make special arrangements for a few air shipments of currency to certain offices and

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that apparently these arrangements had been satisfactory. The proposed discussion with the Treasury Department would ascertain its position with regard to the suggested change in the method of transporting new Federal Reserve currency to the Reserve Banks and also the possibility of including new Treasury currency in the arrangement. Of necessity, the discussions would also include the printing and work schedules of the Bureau of Engraving and Printing, vault storage facilities, and shipping schedules. In addition, the provision that Brink's would be required to make for a staging area in Washington would be explored. It was also contemplated that the Post Office Department would be advised of the proposed discussions and that the sentiment of that Department with regard to the suggested change would be determined. As noted in the memorandum, advice to the Post Office Department could be furnished before or after discussion with the Treasury Department.

At the request of the Chairman, Mr. Farrell spoke in supplementation of the December 19 memorandum, noting the reluctance that both the Treasury and the Board had expressed in the past regarding armored car transportation of new Federal Reserve notes, largely based on apprehensions of unfavorable psychological reactions should anything go awry with a shipment of currency by armored car. Mr. Farrell recalled that on one occasion, when the question of shipping Federal Reserve notes by armored car had come up, Governor Robertson discussed the matter with the then Assistant Postmaster General, Mr. Robertson, and subsequently the Board decided to continue the present system of registered mail

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shipments. It was his understanding, Mr. Farrell said, that Postmaster General Day was now attempting to the extent possible to relieve the Post Office Department of responsibility for high-value money shipments. In further elaboration of the question beyond the points raised in the memorandum, Mr. Farrell observed that Mr. Swan was somewhat concerned about the fact that the base price of \$1,000,000 for truck transportation and \$900,000 for the truck and air combination was a negotiated price which could not be guaranteed for longer than one or two years. Furthermore, there was always the possibility of strikes to be taken into account as well as special problems involved in air transport such as the occasional necessity for planes to land at unscheduled times and places requiring that armored trucks be quickly dispatched to a new place to pick up currency shipments. There was also the possibility of airline crashes in remote, isolated parts of the country with the attendant risk that currency would be scattered over a wide area in such instances.

In a discussion of the question, Governor Mills expressed reservations regarding the Brink's proposal on the basis of a fundamental belief that the United States Government had an obligation to protect its property, irrespective of cost considerations, which considerations seemed to have motivated the desire of the Postmaster General to withdraw from transportation of new Federal Reserve notes. The fact that the Treasury had on occasion shipped coin from the Mint by private carrier did not change his views on this matter, Governor Mills said. Furthermore,

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the fact that the Post Office Department, particularly in view of the recent Boston mail robbery, was concerned about losses in transit and was considering the use of airline facilities rather than railways heightened his conviction that the Federal Government should provide adequate protection to mail shipments. In this connection, Governor Mills stated his belief that over time the exposure to robbery of private trucking lines would be at least equal to, if not greater, than the present exposure involved in mail service, especially in view of the relentless pursuit of malefactors by the Government. He considered the proposed provision of insurance by Brink's to be inconsequential in the context of the basic responsibility of the Government to protect its property.

Governor Robertson stated that he entertained the same reservations regarding the Brink's proposal that Governor Mills had just expressed. However, in view of the importance of the issue, he believed that a decision on the question should be reached at the top level of Government. Should the Treasury and the Post Office Department both be agreeable to the use of the Brink's arrangement, as opposed to Post Office facilities, he doubted whether the Board should stand in the way. On the other hand, the Federal Reserve should not negotiate and enter into the use of the Brink's facilities unless responsible parties in the Treasury and Post Office Departments had expressed the view that this would be appropriate.

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The discussion then turned to the procedure to be followed in ascertaining the attitude of the Treasury and the Post Office Departments as to the Brink's proposal. At the conclusion of this discussion, it was understood that Chairman Martin would explore the question with Secretary of the Treasury Dillon, following which the views of the Postmaster General might be ascertained and the question could then be considered further by the Board.

Messrs. Farrell, Daniels, and Kiley then withdrew from the meeting.

Bank Holding Company Act amendments. Section 5(d) of the Bank Holding Company Act of 1956 requires the Board to include in its Annual Reports to Congress any recommendations for changes in the Act the Board considers desirable. On May 7, 1958, there was submitted to Congress as a separate document the Board's first report under Section 5(d). This report contained 25 enumerated recommendations, some of which dealt with more than one topic. In its Annual Reports for the years 1958 and 1959 the Board again urged favorable consideration of the amendments recommended in the 1958 special report. In its Annual Report for 1960 the Board (1) stated that with one exception all the amendments previously recommended "merit early Congressional consideration and legislative action," and (2) particularly emphasized the desirability of prompt amendment of the Bank Holding Company Act in three respects. In the 1961 Report the Board reverted to a brief paragraph stating only that the amendments suggested in 1958 "merit early Congressional consideration and legislative action."



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On April 25, 1962, however, the Board sent identical letters to the Chairmen of the Banking and Currency Committees of the Senate and House reiterating its view that the statute would be improved by the enactment of all the amendments (with one exception) recommended in 1958. The letters stressed several recommendations regarded as particularly important, and enclosed draft legislation relating solely to these.

A memorandum from the Legal Division dated January 3, 1963, copies of which had been distributed, noted that from the Board's discussions and the procedures that had been followed in seeking amendments to the Act, the inference could be drawn that the Board had decided (1) to deal only briefly with this subject in its current Annual Reports, referring to the Board's 1958 recommendations for a detailed discussion, and (2) to seek directly to persuade the Banking and Currency Committees to introduce amendatory bills. Accordingly, there was attached to the memorandum a draft of paragraph for inclusion in the Board's 1962 Annual Report, following verbatim the paragraph included in the 1961 Report.

In commenting on the memorandum, Mr. Hexter referred to certain legislative changes suggested in a recent report by Congressman Patman to the House Select Committee on Small Business regarding chain banking. He noted that the Board had already recommended two of these suggested changes in its Annual Reports. Mr. Hexter inquired whether the Board would want to postpone a decision as to the form to be taken by the statement

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on Bank Holding Company Act amendments in the 1962 Annual Report until the staff had had an opportunity to analyze the changes in law suggested by the Patman report, in the thought that possibly a different statement in the Annual Report might be appropriate.

Mr. Cardon commented that if the production schedule of the Annual Report precluded a delay, it would be possible for the Board informally to indicate to Mr. Patman that there had not been time adequately to consider his suggested legislative changes prior to the time the Annual Report went to press. Mr. Molony observed, however, that should such a study not take more than ten days or so, the production schedule of the Annual Report would present no acute problem.

Following indication that the Board believed such a staff study would be desirable, Governor Mills suggested that in its reconsideration of an appropriate statement to be incorporated in the 1962 Annual Report, the staff give thought to laying stress on certain minimum amendments to the Holding Company Act that the Board believed to be most important. In this connection he mentioned the suggestion to revise the Act so as to include one-bank holding companies within the scope of its provisions and eliminate certain other exemptions.

Governor Balderston expressed agreement, adding that he thought it might be appropriate, in the light of certain types of information revealed by the Patman chain banking study, for some recognition to be given to the results of the study in the 1962 Annual Report, probably in broad terms.

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Additional discussion ensued as to the form of the Board's statement in its 1962 Annual Report recommending changes in the Bank Holding Company Act might take. General agreement was expressed with the suggestion made previously by Governor Mills that emphasis be given to a few recommendations that were considered most important. At the conclusion of the discussion, it was understood that the staff would prepare a revised statement of recommendations regarding amendments to the Bank Holding Company Act for inclusion in the 1962 Annual Report of the Board and would study the legislative proposals resulting from the chain banking survey, including the question whether reference thereto should be made in the Annual Report, following which the Board would give further consideration to the matter.

Messrs. Cardon and Hexter then withdrew from the meeting.

Report on competitive factors (New York City). Copies had been distributed of a draft report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of The Gotham Bank, New York, New York, into Royal National Bank of New York, New York, New York.

In a discussion of the draft report the Chairman noted a statement in the transmittal memorandum of the Division of Examinations dated January 7, 1963, that in both 1961 and 1962 the subject institutions had informally approached representatives of the New York State Banking Department to ascertain whether the Department would approve a merger and that, because of Royal's unsatisfactory condition, the banks were

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informed a merger application would probably be rejected. Subsequently, on November 29, 1962, Royal State Bank of New York, a nonmember bank, became Royal National Bank of New York.

Mr. Solomon commented that both banks involved had presented problems to the supervisory authorities--Gotham Bank to the State and Federal Reserve System and Royal State Bank to the State and Federal Deposit Insurance Corporation. However, change in charter of the Royal Bank was an accomplished fact, and the Board's report to the Comptroller was limited to the competitive factors involved in the proposed merger.

Question was raised whether in this instance some means should be used of emphasizing in the report that the conclusion related only to competitive factors. However, after consideration of the implications that might attach to a deviation from the usual form of report, it was agreed to send the report in the customary form.

Following further discussion, during which suggestions were made for modification of the language of the conclusion along lines reflecting the conclusion of the Federal Reserve Bank of New York, the report was unanimously approved for transmittal to the Comptroller in a form containing the following conclusion:

The proposed merger would eliminate Gotham as a choice of one of the smaller banks operating in the two areas served by it. There would be no significant elimination of competition because there is only a nominal amount of competition existing between the merging banks. The resulting bank would continue to be exposed to intense competition from large commercial banks having branches located in the areas served by the applicants.

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The meeting then adjourned.

Secretary's Notes: On January 8, 1963, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Legal Division recommending an increase in the basic annual salary of Karl E. Bakke, Senior Attorney in that Division, from \$14,545 to \$15,525, effective immediately.

Memorandum dated December 31, 1962, from Mr. Landry, Assistant to the Secretary of the Board, recommending that the practice of providing luncheons for various State banker and similar groups on the occasion of their visits to the Board be continued in connection with such visits during the early part of 1963.

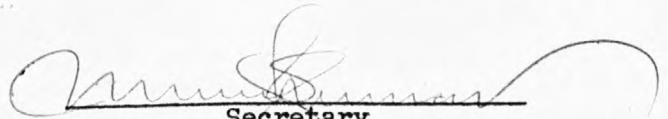
Letter to the Federal Reserve Bank of Chicago (attached Item No. 3) approving the appointment of C. Andrew Lawrence as assistant examiner.

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

Memorandum from the Division of Research and Statistics recommending that Ralph S. Woodruff of the Bureau of the Census be reappointed as a Consultant in that Division, effective until December 31, 1963, with compensation at the rate of \$57.92 for each day worked for the Board. It was understood that any travel performed would be in accordance with the Board's travel regulations.

Memorandum from Thomas M. Klein, Economist, Division of International Finance, requesting permission to teach a graduate course in business cycles at George Washington University during the spring term.

Governor Shepardson today noted on behalf of the Board a memorandum advising that application for retirement had been filed by G. Howland Chase, Assistant General Counsel, effective at the close of business December 31, 1962.

  
Secretary

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1963

Mr. John A. Sweeney,  
Vice President,  
Northwest Bancorporation,  
1215 Northwestern Bank Building,  
Minneapolis 2, Minnesota.

Dear Mr. Sweeney:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated September 20, 1962, of Northwest International Bank, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. The Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 211.3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

January 16, 1963

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated September 20, 1962, of NORTHWEST INTERNATIONAL BANK duly filed with said Board of Governors, and that NORTHWEST INTERNATIONAL BANK is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

(SEAL)

By (Signed) Elizabeth L. Carmichael  
Assistant Secretary

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

Item No. 2  
1/9/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 9, 1963

Board of Directors,  
Northwestern State Bank,  
Chippewa Falls, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of the Northwestern State Bank, Chippewa Falls, Wisconsin, for stock in the Federal Reserve Bank of Minneapolis, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

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

The Board of Governors also approves the retention and operation of the present branches of Northwestern State Bank at Cornell Station, Cornell, Wisconsin, and a drive-in facility located one block east of the main office.

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



Northwestern State Bank

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

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

Enclosure.

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

Item No. 3  
1/9/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 9, 1963

CONFIDENTIAL - FR

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 31, 1962, the Board approves the appointment of C. Andrew Lawrence as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Lawrence's mother is employed as a bookkeeper by First National Bank in Chicago Heights, Chicago Heights, Illinois. Accordingly, the Board's approval of the appointment is given with the understanding that he will not participate in any examination of that bank so long as his mother is employed by the institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.