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Minutes for January 21, 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	<u>(M)</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>[Signature]</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, January 21, 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. Mitchell

Mr. Sherman, Secretary
Miss Carmichael, 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. 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. Kelleher, Director, Division of Administrative
Services
Mr. Shay, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Reynolds, Chief, Special Studies and
Operations Section, Division of International
Finance
Mr. Doyle, Attorney, Legal Division
Mr. Poundstone, Review Examiner, Division of
Examinations

Proposed regulation concerning foreign branches of national
banks. Pursuant to the understanding at the meeting of the Board on
January 17, 1963, there had been distributed a memorandum dated January
18, 1963, from the Legal Division, which transmitted a notice of
proposed rule making setting forth a draft of regulation proposed
primarily to carry out the purpose of an amendment to section 25 of

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the Federal Reserve Act (Public Law 87-588, approved August 15, 1962, "To improve the usefulness of national bank branches in foreign countries").

The proposed regulation would be known as Regulation M, Foreign Branches of National Banks. The present Regulation M, relating to the suspension of operations, during disturbed conditions, of foreign branches of national banks and of corporations organized under section 25(a) of the Federal Reserve Act, would be retained as a part of the new regulation so far as foreign branches of national banks were concerned. The portion of the present regulation relating to branches or agencies of corporations organized under section 25(a) of the Federal Reserve Act would be added to the Board's Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing Under the Federal Reserve Act.

Mr. Shay indicated that the proposed regulation, which had been revised in the light of discussion at the January 17 meeting, was somewhat more restrictive than the version considered earlier. However, it continued to carry provisions intended to simplify the procedure for authorizing the establishment of foreign branches of national banks and a provision for the granting of further powers to such branches upon application to the Board.

As drafted, section 213.3 of the regulation would provide that an application for permission to establish branches in specified foreign

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countries for the furtherance of the foreign commerce of the United States should be filed with the Board of Governors pursuant to section 25 of the Federal Reserve Act; and that, if such permission were granted, a particular branch could be established 30 days after receipt by the Board of a notice of such intention or 30 days after approval of the application for permission, whichever was later, unless the Board should have otherwise advised the national bank concerned.

During discussion of the proposed wording of this section, Governor Mills referred to remarks he had made at an earlier meeting when the draft regulation was being considered and observed that it was difficult for him to believe that any bank would be greatly inconvenienced by making a formal application to the Board for the establishment of a particular foreign branch. He believed that the Board had a responsibility to consider each such application for whatever length of time might be necessary. He disagreed with a suggestion that had been made earlier that the regulation include a statement to the effect that it was the policy of the Board to approve the establishment of foreign branches when the furtherance of the foreign commerce of the United States might be reasonably expected to ensue from the establishment of such branches. (The suggestion had been made by Mr. Goodman on the basis of certain changes being proposed in the revision of Regulation K.)

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Governor Mitchell questioned how the Board would have any reasonable basis of judging whether there was a need for an additional branch of an American bank in a foreign country. In his view the responsibility of the Board was in the area of deciding initially whether a bank should be permitted to establish any branches in a particular country. The determination of whether any individual branch should be established was, he thought, the responsibility of a bank's management.

Governor Mills expressed the view that the Board would lose touch with what was going on if it failed to consider carefully each foreign branch application, having in mind not only the community in which the branch would be located but also what the branch was intended to perform as an adjunct of an American bank. He remarked that on occasion applications involved ventures in new waters and, if there was any purpose in requiring some administrative control over the operation of foreign branches of domestic banks, he thought the Board would be failing in its responsibility if it did not inform itself thoroughly and promptly regarding each application. It was his impression that some large banks that enjoyed high reputations were sometimes overly ambitious in their projects. For this reason he believed it was a wholesome check on their operations for the Board to act on individual applications to establish new foreign branches.

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During the course of the discussion, Mr. Shay pointed out that section 25 of the Federal Reserve Act provides that national banks shall apply to the Board to establish branches in foreign countries for the furtherance of the foreign commerce of the United States. That section also provides as follows:

"Such application shall specify the name and capital of the banking association filing it, the powers applied for, and the place or places where the banking or financial operations proposed are to be carried on. The Board of Governors of the Federal Reserve System shall have power to approve or to reject such application in whole or in part if for any reason the granting of such application is deemed inexpedient, and shall also have power from time to time to increase or decrease the number of places where such banking operations may be carried on."

Mr. Shay went on to say that the proposed regulation had been drafted with the provisions of section 25 in mind. He had some feeling that if the section under discussion included a statement to the effect that it was the policy of the Board to approve the establishment of foreign branches established for the furtherance of foreign commerce of the United States, the Board might be limiting its sphere of discretion under a statute that was very broad.

Mr. Hackley agreed with the view expressed by Mr. Shay and observed that the Board in considering particular applications to establish foreign branches might wish to consider factors other than the furtherance of foreign commerce. For example, the management factor of a national bank might be concerned in the Board's consideration of an

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application. Accordingly, he thought it would be preferable not to include in the regulation itself any statement as to the Board's policy with respect to approving applications for the establishment of foreign branches.

During further discussion of section 213.3, several suggestions for changing the wording were agreed upon. As a result of these changes the regulation would not include any provision for a general permission by the Board for national banks to establish foreign branches in specified foreign countries. Rather it would require that the initial application by a bank to establish a branch in a foreign country would relate to the establishment of a particular branch. As revised, the section would provide further that, after the Board's approval of the initial application, "subsequent applications to establish additional branches in that country will be deemed to have been approved thirty days after receipt by the Board of such a subsequent application submitted in accordance with said section 25, unless the Board shall have otherwise advised the national bank within the thirty-day period."

The discussion then turned to section 213.4, relating to further powers of foreign branches. On the basis of suggestions made, a number of changes were agreed upon, including the addition of an explanation of what was meant by the power to "execute and deliver guaranties which are dependent only on the happening of specified and readily ascertainable events" in paragraph (a) and the deletion of a paragraph referring

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to loans or the extension of credit to executive officers of national banks for the purpose of purchasing or constructing homes.

After a number of revisions in other sections, the proposed regulation was approved for publication in the Federal Register, with the understanding that after the customary period for comments had elapsed the matter would again be presented to the Board.

During the foregoing discussion Mr. Cardon, Legislative Counsel, entered the room and at its conclusion Messrs. Shay, Goodman, Doyle, and Poundstone withdrew.

Federal Reserve Bulletin. There had been distributed a memorandum from Governor Robertson dated January 4, 1963, in which he referred to an article in the January 2, 1963, issue of the Journal of Commerce which, he thought, suggested the need for a thorough analysis of ways and means of improving the monthly Federal Reserve Bulletin. In the memorandum Governor Robertson suggested that steps be taken to solicit suggestions and ideas from the Board's entire staff (and perhaps outsiders) for the improvement of the Bulletin and that a member of the Board, or perhaps a committee of members of the Board, analyze and appraise the ideas and suggestions and then take steps to bring about any improvement that might seem feasible.

Chairman Martin commented that, while he agreed that the Bulletin was rather dull reading, he thought steady progress had been made in improving it. He then turned to Mr. Molony and asked for his views on the subject.

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Mr. Molony responded that he believed that something broader than the Bulletin itself was involved here. The question concerned the whole philosophy of the Board. The Journal of Commerce editorial had stated that the Bulletin was supposed to be "completely factual" and not "express an opinion on anything, which always is frustrating for those who write it." The editorial went on to say that "sometimes a Federal Reserve Board member makes a speech and says something; more often he doesn't say much." It could be argued, Mr. Molony said, that the presentation of diverse views by members of the Board would produce public confusion or that it would lead to enlightenment.

Mr. Molony pointed out that the Bulletin was a publication of a policy-making body. On the question of expressing opinions, it seemed to him that it was the duty of the Board to obtain opinions before making a decision and it was the duty of the staff to furnish opinions to the Board. After the Board reached a decision, it did not seem appropriate to include in the Bulletin views that were in variance with action taken by the Board. He believed that such statements would lead to confusion and that, in a publication such as the Bulletin, opinions expressed should be confined to those of the Board rather than those of the staff. Also, in his view the public would not be especially interested in staff opinions unless they foreshadowed Board actions.

Governor Mitchell said that he saw no reason for changing the present style of the Bulletin. In his judgment, the Bulletin should

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be considered the official document for reporting actions of the Board. It could stop there or it could carry a leading article each month representing some prevailing System opinion. If the Bulletin was thought of along these lines and was referred to by readers as a means of keeping informed of official actions, it would not seem to be the proper publication for the inclusion of signed articles. He noted that the System was spending a substantial amount each year on its publications program, and he questioned whether enough mileage was being received to justify such an expenditure. In this connection, he referred to the Monthly Reviews of the Federal Reserve Banks and indicated that the best defense of any system was an understanding on the part of the public of what that system was trying to do. In view of the subject matter involved, education of the public regarding the activities of the Federal Reserve System presented a particular problem. He believed that the System publications program could be improved, and he would be inclined to urge that a committee composed of Board staff and outsiders be appointed to review the entire program.

Governor Robertson then referred to various criticisms that had been made regarding the Bulletin. For example, he mentioned that among the Board's own staff there was some feeling of inadequacy with respect to the useability of some of the statistical material in the Bulletin. Also, the view had been expressed that it would be desirable to include signed articles by members of the Board's staff in order that their

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names might become known by Bulletin readers. Others felt that the leading article in the Bulletin was so drafted and redrafted that it said nothing. It was his impression that the Bulletin as now published was too dull for bankers, and that it did not meet the needs of academicians. It was for this reason that he had suggested that members of the staff be asked for their views as to how the Bulletin might be improved, having in mind the various groups that used this publication. The Board could then decide what approach it wished to have taken and a group could be set up to devise ways of improving the Bulletin along the lines suggested by the Board.

In connection with Governor Mitchell's suggestion that the publications program of Reserve Banks be reviewed, Governor Robertson said he did not think that the Board should expect the Reserve Banks to change their publications programs unless the Board was willing to make changes also.

Chairman Martin commented that the Board would probably not wish to do anything that would centralize the publications program of the System or cramp the ingenuity of the Reserve Banks.

At the end of the discussion it was agreed that Chairman Martin would work with the staff in preparing for the Board's consideration a plan for reviewing the publications programs of the Board and the Reserve Banks.

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All members of the staff then withdrew from the meeting except Messrs. Sherman, Molony, and Fauver and Miss Carmichael.

Director appointment. It was agreed to request the Chairman of the Federal Reserve Bank of St. Louis to ascertain and advise whether Mr. C. Hunter Green, Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Louisville, Kentucky, would accept appointment, if tendered, as a director of the Louisville Branch for the unexpired portion of a term ending December 31, 1965, with the understanding that if it were ascertained that he would accept, the appointment would be made.

Secretary's Note: It having been ascertained that Mr. Green would accept, an appointment telegram was sent to him on January 22, 1963.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Examinations recommending the appointment of Marla L. Lembo as Stenographer, Division of Examinations, with basic annual salary at the rate of \$4,390, effective the date of entrance upon duty.

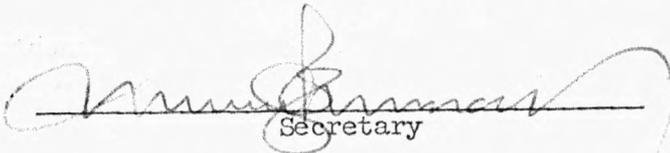
Letters to the Federal Reserve Bank of Richmond (attached Items 1 and 2) approving the appointment of Worth H. Carter, Jr., as examiner, and the designation of Donald E. Perry, Clarence W. Stone, John F. Pace, Jr., and Darrell G. Smith as special assistant examiners.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 3) approving the appointment of Jonathan Samuel Spieler as assistant examiner.

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Governor Shepardson today also approved on behalf of the Board the request contained in a memorandum from the Division of Examinations that a dinner be held on May 1, 1963, at the Shoreham Hotel for representatives of the Federal Reserve Banks attending the Conference of General Auditors, with the understanding that 54 persons would be invited, including designated members of the Board's staff, and that the dinner was expected to cost not more than \$10 per person.


Secretary

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

Item No. 1
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 22, 1963

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of January 11, 1963, the Board approves the appointment of Worth H. Carter, Jr., at present an assistant examiner, as an examiner for the Federal Reserve Bank of Richmond, effective today. Please advise the salary rate.

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
1/21/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 22, 1963

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of January 14, 1963, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except those listed opposite their names:

Donald E. Perry	-	
Clarence W. Stone	-	
John F. Pace, Jr.	-	Southern Bank and Trust Company, Richmond, Virginia
Darrell G. Smith	-	State-Planters Bank of Commerce and Trusts, Richmond, Virginia.

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
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 22, 1963

AIR MAIL

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

Dear Mr. Galvin:

In accordance with the request contained in Mr. Cavan's letter of January 10, 1963, the Board approves the appointment of Jonathan Samuel Spieler as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise the effective date of appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.