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Minutes for February 20, 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, February 20, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell

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. Noyes, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Sammons, Adviser, Division of International Finance
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Young, Senior Attorney, Legal Division
Mr. Pawley, Economist, Division of Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on February 18, 1963, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

- | | <u>Item No.</u> |
|--|-----------------|
| Letter to the Federal Reserve Bank of New York approving attendance by Martin Barrett at the Eleventh Technical Training Program of the Center for Latin American Monetary Studies. | 1 |
| Letter to the Federal Reserve Bank of Richmond waiving the assessment of penalties incurred by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, for deficiencies in required reserves. | 2 |
| Telegram to the Federal Reserve Bank of Atlanta interposing no objection to rental, with purchase option, of an IBM 1420 bank transit system. | 3 |
| Letter to The Sumitomo Bank of California, San Francisco, California, approving the establishment of a branch in Gardena. | 4 |
| Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Quincy. | 5 |
| Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Sunnyvale. | 6 |
| Letter to the Chairman of the Senate Banking and Currency Committee reporting on S. 750, a bill "To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit." | 7 |

Messrs. Sammons, Conkling, Kiley, Young, and Pawley then withdrew.

Report on competitive factors (Charlotte-Greensboro, North Carolina. There had been distributed a draft of report to

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the Comptroller of the Currency on the competitive factors involved in the proposed merger of Bank of Greensboro, Greensboro, North Carolina, into First Union National Bank of North Carolina, Charlotte, North Carolina. The conclusion of the draft report was in adverse terms, and included a sentence observing that First Union could alternatively enter the Greensboro area through establishment of a de novo branch.

Governor Shepardson questioned whether the Board should include the aforementioned sentence. It was his personal feeling, in retrospect, that it would have been preferable not to cite the alternative possibility of de novo branching as part of the basis for the Board's decisions on the Chase Manhattan-Hempstead Bank and Chemical Bank-Long Island Trust Company mergers (denied by orders of the Board dated April 30, 1962). Subsequently, there had been a great many de novo branches established by New York City banks, particularly national banks, in the surrounding counties; this had led to controversy and charges that the number of banking offices was excessive.

Governor Robertson expressed a preference for retaining the sentence in question, although indicating that he had no strong feeling. In his view, the fact that de novo branching may have been abused in some instances did not make the policy of advocating de novo branches generally inappropriate. In the case under discussion, the establishment of a de novo branch would allow the Charlotte bank to come into Greensboro without eliminating an established independent bank.

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After discussion in the light of the foregoing comments, several changes in the wording of the conclusion of the report were agreed upon, following which the report was approved unanimously for transmission to the Comptroller of the Currency. The conclusion of the report, as approved, read as follows:

A merger of First Union National Bank of North Carolina, Charlotte, North Carolina, and Bank of Greensboro, Greensboro, North Carolina, would not significantly alter First Union's relative position in the State nor would it adversely affect the other three banks then operating in Greensboro, as they are the first, second, and fourth largest banks in the State. It would, however, eliminate the only remaining independent bank in Greensboro, and would further concentration of banking resources in North Carolina.

Expenses of Federal Reserve Issue and Redemption Division

(Item No. 8). There had been distributed a memorandum dated February 15, 1963, from the Division of Bank Operations attaching a reply from the Administrative Assistant to the Comptroller of the Currency to the Board's letter of January 14, 1963, requesting information about a new item for "Management and Administrative Services" that had been included in the estimated expenses of the Federal Reserve Issue and Redemption Division for 1963. Also attached to the memorandum were alternative drafts of response, the first of which would note the reasons that had been given for the charge and enclose a check in payment. The other draft was in terms of raising a question as to the appropriateness of the basis on which the charge had been made and requesting that the Office of the Comptroller of the Currency make a further review of the matter.

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In commenting on the alternative drafts of letter, Mr. Farrell reviewed circumstances that led the Division of Bank Operations to feel that the Board might have some reason to question the manner in which the charge had been calculated. However, he doubted that the Board could successfully contest the item of expense. Paragraph 11 of section 16 of the Federal Reserve Act, which provided for payment by the Federal Reserve Banks of all expenses incident to the issue and retirement of Federal Reserve notes, was in such broad terms that it seemed unlikely that the Board's view could prevail over that of the Comptroller of the Currency as to the method of computation of overhead incurred by his Office in connection with the operations of the Federal Reserve Issue and Redemption Division.

After discussion, during which Mr. Hackley agreed with the view Mr. Farrell had expressed, the briefer form of response to the Office of the Comptroller of the Currency (which would raise no further question about the expense item) was approved unanimously. A copy of the letter is attached as Item No. 8.

Proposed proclamation. There had been distributed copies of a letter from the Bureau of the Budget dated February 18, 1963, referring to the Bureau's letter of February 11 and the Board's reply of February 13 regarding a proposed executive proclamation entitled "Centennial of the Dual Banking System." The Bureau of the Budget indicated that, although its first letter had stated that the draft of proclamation had been prepared in the Treasury Department, it had been learned that such

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was not the case. The second letter from the Bureau enclosed a copy of a revised draft of proclamation prepared from a draft subsequently submitted by the Treasury Department. The Bureau asked that it be informed by telephone not later than February 20 as to whether the Board saw any objection to the second draft of proclamation.

During discussion it was observed that the second draft of proclamation eliminated fairly well most of the questions that had been raised in regard to the first one. However, Mr. Noyes stated that he had had a telephone call from the Council of Economic Advisers indicating that there continued to be some concern over the reference to the "dual banking system" in the proclamation.

At the conclusion of the discussion Mr. Hackley was authorized to inform the Bureau of the Budget that the Board had no objection to the proposed proclamation, although there might be some question about the reference to the "centennial of the dual banking system" rather than to the "centennial of the national banking system."

All members of the staff then withdrew and the Board went into executive session, following which the meeting adjourned. (Reference is made in the minutes of February 18, 1963, to advice received by the Secretary from the Chairman concerning an action taken by the Board during the executive session.)

Secretary's Notes: On February 19, 1963,
Governor Shepardson approved on behalf
of the Board the following items:

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Memorandum from the Division of Examinations dated February 19, 1963, recommending that Dr. Felix Kaufman, Partner, Lybrand, Ross Bros. & Montgomery of New York City, be invited to discuss the use of electronic data processing in banks at the Conference of Representatives of Bank Examination Departments of Federal Reserve Banks to be held in Washington on March 11 and 12, 1963, with the understanding that his transportation to and from New York, hotel, meals, and other incidental expenses would be paid by the Board and that he would be invited to attend the dinner to be given by the Board on the evening of March 11.

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

Appointment

Phyllis B. Mulcahy as Assistant Legal File Clerk, Legal Division, with basic annual salary at the rate of \$4,110, effective the date of entrance upon duty.

Salary increase

Ted Edward Garner, Assistant Federal Reserve Examiner, Division of Examinations, from \$5,205 to \$5,725 per annum, effective March 3, 1963.

Acceptance of resignation

Alfred J. Holston, Jr., Clerk, Division of Administrative Services, effective at the close of business February 25, 1963.

Outside activity

Robert L. Sammons, Adviser, Division of International Finance, to do certain bibliography work for the Pan American Union without compensation.

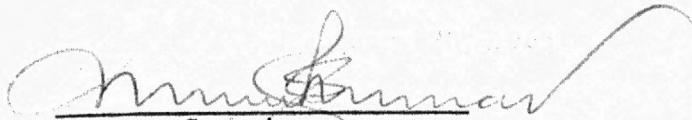
Governor Shepardson today approved
on behalf of the Board the following
items:

Memorandum from the Division of Bank Operations recommending acceptance of the resignation of Thomas G. Young, Analyst in that Division, effective at the close of business March 1, 1963.

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Letter to the Federal Reserve Bank of Atlanta (attached Item No. 9)
approving the designation of Harry C. Schiering as special assistant
examiner.



Secretary

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

Item No. 1
2/20/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1963

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Treiber:

This is in reply to your letter of December 28, 1962, nominating Mr. Martin Barrett to participate in the Eleventh Technical Training Program of the Center for Latin American Monetary Studies, to be held in Mexico City from April 26 to August 16, 1963.

The Board has approved Mr. Barrett's participation in this Program. A copy of the formal application for Mr. Barrett is enclosed, and after it has been completed, it should be forwarded directly by your Bank to the Center.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

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

Item No. 2
2/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1963



Mr. Aubrey N. Heflin,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Heflin:

This refers to your letter of February 1 regarding the penalties of \$109.25 and \$193.46 incurred by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, on deficiencies in its required reserves for the computation periods ended November 28 and December 12, 1962.

It is noted that the deficiencies resulted from a simple clerical error in the posting of the books by a new clerk at the bank's Raleigh office, which was discovered too late for the bank to take corrective action to avoid the deficiencies, and that the bank has a good record in maintaining its required reserves.

In the circumstances, the Board authorizes your Bank to waive the assessments of the penalties for the periods ended November 28 and December 12, 1962.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

TELEGRAM
LEASED WIRE SERVICE

Item No. 3
2/20/64

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

February 20, 1963

Bryan - Atlanta

Your February 1, 1963 letter indicates intention to contract for rental of IBM 1420 Bank Transit System to be delivered during last quarter of this year unless Board has objections. In light of information submitted with urlet and subsequent telegram from Patterson, Board sees no reason to object to this proposal. Board notes that proposal will be submitted to Executive Committee before a final commitment is made.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 4
2/20/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1963

Board of Directors,
The Sumitomo Bank of California,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Sumitomo Bank of California at 1271 West Redondo Beach Boulevard, Gardena, California, provided the branch is established within one year from the date of this letter.

The substantial deposit growth of your bank during the past year has not been accompanied by a proportionate increase in capital funds. It is the Board's understanding that total capital funds will be increased by not less than \$1,500,000 by June 30, 1963; however, the capital needs of this bank are such that serious consideration should be given to a considerably larger sale of new stock in order that future growth of The Sumitomo Bank of California will be on a sound basis.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 5
2/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1963



Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank in the downtown business district of Quincy, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962, (S-1846), should be followed.)

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

Item No. 6
2/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1963

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank in the Westmoor Shopping Center in the vicinity of the intersection of Fremont and Mary Avenues, Sunnyvale, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
2/20/63

OFFICE OF THE CHAIRMAN

February 20, 1963



The Honorable A. Willis Robertson,
Chairman,
Senate Banking and Currency Committee,
Washington 25, D. C.

Dear Mr. Chairman:

This is in reply to your request of February 8, 1963, for a report on S. 750, a bill "To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit."

The bill would require any person engaged in the extension of credit to furnish to each person to whom credit is extended, prior to the consummation of the transaction, a written statement setting forth, to the extent applicable and in accordance with rules and regulations to be prescribed by the Board of Governors of the Federal Reserve System, among other items, (1) the finance charge in dollars and cents, and (2) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the average outstanding unpaid balance of the obligation.

The Board is in full accord with the purpose of requiring creditors to disclose their finance charges. There is no doubt that the more information borrowers and credit purchasers have about the prices they are paying for credit, the more efficiently they can choose among the alternatives available to them. The Board expressed the same view in its earlier reports on S. 2755 and S. 1740, similar bills introduced in 1960 and 1961, respectively.

As also stated in its earlier reports, the Board believes that administration of such legislation would not constitute an appropriate activity for the Federal Reserve System. The regulation of trade disclosure practices would be foreign to the Board's present responsibilities which are principally in the field of regulating money and credit through the banking system to meet the varying needs of the economy.

In connection with the trade practices aspect of the bill, the following statement made by the President in his consumer protection message to the Congress of March 15, 1962, may be noted: "Inasmuch as the specific

The Honorable A. Willis Robertson -2-

credit practices which such a bill would be designed to correct are closely related to and often combined with other types of misleading trade practices which the Federal Trade Commission is already regulating, I recommend that enforcement of the new authority be assigned to the Commission."

Accordingly, as stated in its earlier reports, the Board endorses the objective of requiring creditors to disclose their finance charges, but believes that it would be inappropriate for the Board to administer such a bill.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



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

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Item No. 8
2/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1963.

Mr. A. J. Faulstich,
Administrative Assistant to the
Comptroller of the Currency,
Department of the Treasury,
Washington 25, D. C.

Dear Mr. Faulstich:

Thank you for your letter of January 31, 1963, explaining the charge for "Management and Administrative Services" in the estimated expenses of the Federal Reserve Issue and Redemption Division.

It is noted that the charge was computed by applying 12-1/2 per cent to the total of other expenses of the Federal Reserve Issue and Redemption Division and that this percentage is approximately the same percentage as is used by the Office of the Treasurer of the United States in computing its cost of administration applicable to expenses incurred in the redemption of Federal Reserve notes by the Currency Redemption Division.

Enclosed is a check for the "Management and Administrative Services" expense item of \$16,495, which amount was excluded from the Board's advance payment for estimated expenses of the Federal Reserve Issue and Redemption Division for the first half of 1963.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 9
2/20/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 21, 1963

AIR MAIL

Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

In accordance with the request contained in Mr. Sheffer's letter of February 13, 1963, the Board approves the designation of Harry C. Schiering as a special assistant examiner for the Federal Reserve Bank of Atlanta for the purpose of participating in examinations of State member banks.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.