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Minutes for February 26, 1963

To: Members of the Board

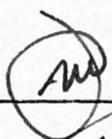
From: Office of the Secretary

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

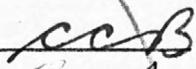


Gov. Mills

Gov. Robertson



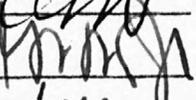
Gov. Balderston



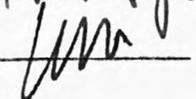
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Tuesday, February 26, 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. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mr. Spencer, General Assistant, Office of the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on February 21, 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.

Circulated or 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 the Federal Reserve Bank of New York
waiving the assessment of a penalty incurred by
Federation Bank and Trust Company, New York,
New York, because of a deficiency in its
required reserves. 1
- Letter to Irving International Financing
Corporation, New York, New York, granting
permission to purchase shares of Pakistan
Industrial Credit and Investment Corporation,
Karachi, Pakistan. 2
- Letter to American Bank of Sarasota, Sarasota,
Florida, approving an extension of time to
accomplish membership in the Federal Reserve
System. 3
- Letter to American Pioneer Life Insurance
Company, Little Rock, Arkansas, granting a
determination exempting it from all holding
company affiliate requirements except those
contained in section 23A of the Federal
Reserve Act. 4
- Letter to United California Bank, Los Angeles,
California, approving the establishment of a
branch in Los Banos and expressing interest
in being informed of the bank's plans to
strengthen its capital position. 5
- Letter to Wells Fargo Bank, San Francisco,
California, approving the establishment of a
branch in West Sacramento. 6
- Letter to the Bureau of the Budget with respect
to a draft bill, proposed by the Department of
Interior, "To amend the law establishing the
Indian revolving loan fund." 7
- Letter to the Chairman of the House Committee
on Government Operations reporting on H. R. 1711,
a bill "To amend the Employment Act of 1946 to
establish policies with respect to productive
capital investments of the Government." 8

2/26/63

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Item No.

Letter to the Federal Reserve Bank of Atlanta
 approving the payment of salaries to two
 officers assigned to the Birmingham Branch
 (E. C. Rainey and William A. Waller, Jr.)
 at the rates fixed by the Bank's directors.

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Report on competitive factors (Titusville-Warren, Pennsylvania).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation regarding the competitive factors involved in the proposed merger of Warren Bank and Trust Company, Warren, Pennsylvania, into Titusville Trust Company, Titusville, Pennsylvania. The conclusion in the report read as follows:

While the merger of Titusville Trust Company and Warren Bank and Trust Company will eliminate the slight amount of competition existing between them, it would not appear to have unfavorable competitive effects on other banks operating in the areas served by the resulting institution.

The report was approved unanimously for transmittal to the Corporation.

The meeting then adjourned.

Secretary's Notes: The requirements contemplated by the Board's action on January 9, 1963, in approving the issuance of a preliminary permit to Northwest International Bank, New York, New York, having been completed, a letter was sent to that corporation on February 25, 1963, transmitting a final permit to commence business.

On February 25, 1963, Governor Shepardson approved on behalf of the Board the following items:

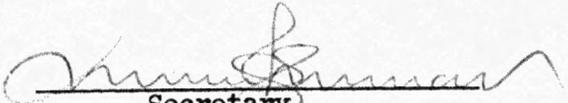
Memorandum from the Division of Bank Operations recommending the appointment of Lula B. Bierly as Statistical Clerk in that Division, with basic annual salary at the rate of \$4,250, effective the date of entrance upon duty.

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Letter to the Federal Reserve Bank of Richmond (attached Item No. 10) approving the designation of Thomas W. Gaulding as special assistant examiner.

Governor Shepardson today approved on behalf of the Board the request of Maurice H. Schwartz, Director, Division of Data Processing, for permission to serve as a member of the American Statistical Association Committee on Data Sources and Electronic Computers.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
2/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963

Mr. D. C. Niles, Manager,
Accounting Department,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Niles:

This refers to your letter of February 11, regarding the penalty of \$1,172.93 incurred by the Federation Bank and Trust Company, New York, New York, on a 5.4 per cent deficiency in its required reserves for the computation period ended February 6, 1963.

It is noted that the deficiency resulted from the inexperience of the clerk handling the reserve position, and that the bank has an excellent record for accuracy and maintaining its required reserves.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of \$1,172.93 for the period ended February 6, 1963.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
2/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963.



Irving International Financing Corporation,
One Wall Street,
New York 15, New York.

Gentlemen: .

In accordance with the request contained in your letter of February 13, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for Irving International Financing Corporation to purchase and hold 104,000 ordinary shares, par value Rupees 10 each, of Pakistan Industrial Credit and Investment Corporation ("PICIC"), Karachi, Pakistan, at a cost not to exceed US\$214,000 (equivalent) provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that Irving International Financing Corporation shall dispose of its holding of stock of PICIC, as promptly as practicable, in the event that PICIC should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by Irving International Financing Corporation to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 3
2/26/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963

Organization Committee,
American Bank of Sarasota,
Sarasota, Florida.

Gentlemen:

In accordance with your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors approves an extension of 90 days from March 13, 1963, within which American Bank of Sarasota, Sarasota, Florida, may accomplish membership in the Federal Reserve System.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 4
2/26/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963

Mr. Frank Hyneman, Chairman of Board
and Secretary,
American Pioneer Life Insurance Company,
Donaghey Building,
Little Rock, Arkansas.

Dear Mr. Hyneman:

This refers to your letter of February 18, 1963, transmitting an application by American Pioneer Life Insurance Company, for a permit to vote the stock of Trumann National Bank, Trumann, Arkansas.

From the information submitted, the Board understands that American Pioneer Life Insurance Company is engaged principally in the business of selling life insurance and paying claims thereunder; that the Company is a holding company affiliate by reason of the fact that it owns over 50 per cent of the outstanding shares of stock of Trumann National Bank; and that the Company 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 American Pioneer Life Insurance Company 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 Company 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 American Pioneer Life Insurance Company 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. Particularly, should future acquisitions by or

Mr. Frank Hyneman

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activities of the Company result in its attaining a position whereby the Board may deem desirable a determination that the Company is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
2/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963.



Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the downtown business district of Los Banos, California, by United California Bank, provided the branch is established within six months from the date of this letter.

As indicated in its letter of February 13, 1963, the Board is looking forward to hearing of your plans to strengthen substantially the capital position of United California Bank.

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
2/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 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 vicinity of West Capitol Avenue and Michigan Boulevard in an unincorporated area of Yolo County known as West Sacramento, 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. 7
2/26/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is to advise, in response to your letter of February 18, 1963, that the Board has no comments with respect to the draft bill proposed by the Department of Interior, "To amend the law establishing the Indian revolving loan fund".

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
2/26/63

OFFICE OF THE CHAIRMAN

February 26, 1963

The Honorable William L. Dawson,
Chairman,
Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of January 25, 1963, requesting a report on the bill H.R. 1711, "To amend the Employment Act of 1946 to establish policies with respect to productive capital investments of the Government." This bill is the same as the following bills on which the Board reported to you on the dates indicated: H.R. 7530, June 22, 1961; H.R. 960 and H.R. 1968, February 14, 1961; and H.R. 5135 and H.R. 5197, June 8, 1960. A copy of the latter report is enclosed since it dealt in some detail with matters presented by these measures.

While a capital budget has some attractive features, the uncertainties attaching to these proposals outlined in the report of June 8, 1960 continue to be applicable. Budgetary problems will not be solved by modifying the system of governmental accounting. It is even conceivable that focus on the technical accounting aspects of budgets might diminish attention to the fundamental economic problems.

For this reason and for other reasons spelled out more fully in the June 1960 report the Board does not believe that adoption of the proposed budgetary system would serve a constructive purpose at this time.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

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

Item No. 9
2/26/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1963.

CONFIDENTIAL (FR)

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

The Board of Governors approves the payment of salaries to the following officers of the Birmingham Branch of the Federal Reserve Bank of Atlanta, for the period March 1 through December 31, 1963, at the rates indicated.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
E. C. Rainey	Vice President	\$16,700
William A. Waller, Jr.	Assistant Vice President and Cashier	13,000

The rates approved by the Board are those fixed by the Board of Directors as reported in your letter of February 19. The Board has noted your advice of the early retirement of Mr. Frazer.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 10
2/26/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 25, 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 February 15, 1963, the Board approves the designation of Thomas W. Gaulding as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except The Bank of Virginia, Richmond, Virginia.

The authorization heretofore given your Bank to designate Mr. Gaulding as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.