

609
9/61

Minutes for February 28, 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

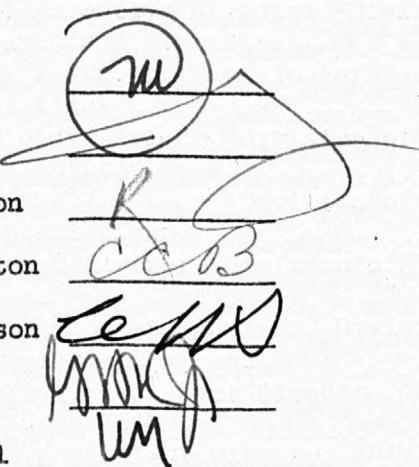
Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell



The image shows handwritten signatures of the Board members over their respective names. The signatures are: 'M' for Chm. Martin, 'R' for Gov. Mills, 'CAB' for Gov. Robertson, 'CB' for Gov. Balderston, 'JMS' for Gov. Shepardson, 'MK' for Gov. King, and 'UM' for Gov. Mitchell. Each signature is placed directly above its corresponding name.

Minutes of the Board of Governors of the Federal Reserve System on Thursday, February 28, 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

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. Johnson, Director, Division of Personnel
Administration

Mr. Connell, Controller

Mr. Schwartz, Director, Division of Data
Processing

Mr. O'Connell, Assistant General Counsel

Mr. Shay, Assistant General Counsel

Mr. Koch, Associate Director, Division of
Research and Statistics

Mr. Brill, Adviser, Division of Research and
Statistics

Mr. Garfield, Adviser, Division of Research
and Statistics

Mr. Williams, Adviser, Division of Research
and Statistics

Mr. Sammons, Adviser, Division of International
Finance

Mr. Katz, Associate Adviser, Division of
International Finance

Mr. Conkling, Assistant Director, Division of
Bank Operations

Mr. Kiley, Assistant Director, Division of
Bank Operations

2/28/63

-2-

Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Kakalec, Assistant to the Controller
Mr. Reynolds, Chief, Special Studies and Operations Section, Division of International Finance
Mr. Swerling, Senior Economist, Division of International Finance
Mr. Taylor, Chief, Flow of Funds and Savings Section, Division of Research and Statistics
Mr. Weiner, Chief, National Income, Labor Force, and Trade Section, Division of Research and Statistics
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations
Mr. Hull, Economist, Division of Research and Statistics
Mr. Spellman, Economist, Division of Data Processing
Mr. Steinberg, Economist, Division of Data Processing

Flow of funds presentation. With the aid of charts, Messrs.

Noyes, Brill, Taylor, and Weiner presented a staff projection of possible economic and financial developments through the first half of 1964 on the basis of certain hypothetical assumptions.

Following a discussion based on this presentation all members of the staff except Messrs. Sherman, Kenyon, Molony, Fauver, Hackley, Farrell, Solomon, Connell, O'Connell, Shay, Goodman, Leavitt, Kiley, Landry, Kakalec, and Poundstone withdrew.

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

2/28/63

-3-

Item No.

Letter to First National City Bank, New York,
New York, approving an extension of time to
establish a branch in Geneva, Switzerland.

1

Letter to the Federal Deposit Insurance
Corporation regarding the application of
Wayne County Bank and Trust Company, Honesdale,
Pennsylvania, for continuation of deposit
insurance after withdrawal from membership
in the Federal Reserve System.

2

Letter to the Federal Deposit Insurance
Corporation regarding the application of
The Peoples Banking Company, McComb, Ohio,
for continuation of deposit insurance after
withdrawal from membership in the Federal
Reserve System.

3

Letter to Merchants and Farmers Bank, Ports-
mouth, Virginia, approving an investment
in bank premises.

4

Letter to Farmers Loan and Trust Company,
Tipton, Indiana, approving an investment
in bank premises.

5

Letter to The National Bank of Commerce of
Seattle, Seattle, Washington, granting
permission to organize a corporation under
section 25(a) of the Federal Reserve Act
to be known as "Commerce International
Banking Corporation," to be located at 1100
Second Avenue, Seattle, Washington, and
transmitting a preliminary permit.

6

Messrs. Shay, Goodman, and Poundstone then withdrew from
the meeting.

Report on competitive factors (White Plains-Bronxville, New York).

Copies had been distributed of a draft of report to the Federal Deposit
Insurance Corporation regarding the competitive factors involved in a
proposed merger of The County Trust Company, White Plains, New York, and
The Gramatan Safe Deposit Corporation, Bronxville, New York.

2/28/63

-4-

After discussion the report was approved unanimously for transmission to the Corporation, the conclusion reading as follows:

A merger of The Gramatan Safe Deposit Corporation, Bronxville, New York, and The County Trust Company, White Plains, New York, will have no effect on competition.

Budget Performance Report for 1962. Under date of February 14, 1963, there had been distributed to the members of the Board a document prepared by the Office of the Controller reviewing the performance under the Board's budget for the calendar year 1962.

The 1962 budget was \$6,975,000 and expenses totaled \$6,878,000, resulting in a net underexpenditure of \$97,000. Expenses for Personal Services were less than budgeted by \$70,000, due primarily to vacant positions. Expenses for Nonpersonal Services were under the budget by \$27,000, due principally to the fact that expenditures for traveling expenses, repairs and alterations, and postage and expressage were lower than budgeted. The budget document contained an itemization of overexpenditures in certain account classifications in various Divisions totaling approximately \$130,000. While all major overexpenditures had been approved by the Board prior to the end of 1962, several overexpenditures, totaling \$8,700, had not been submitted for approval prior to December 31. In the opinion of the Controller these were reasonably unavoidable, and it was recommended that acceptance of the Budget Performance Report be considered as approval of the remaining overexpenditures.

2/28/63

-5-

In commenting on the budget document, Mr. Connell referred, among other things, to the 63 job vacancies at year end, of which 19 were stenographic-recruit and summer positions normally vacant at the end of the year and 14 were accounted for by other special circumstances.

At the conclusion of Mr. Connell's comments the overexpenditures in certain account classifications of various Divisions totaling \$8,700 that had not previously been submitted to the Board were approved unanimously.

There ensued a general discussion of the Budget Performance Report during which Governor Mitchell expressed concern about the job vacancy rate, noting that some professional positions apparently were not filled for extended periods. This suggested to him either that the jobs were not required or that ineffective recruiting practices were being used.

Governor Shepardson replied that the largest number of professional vacancies was in the Division of Research and Statistics. Recent discussions with officers of that Division had produced a suggestion for a somewhat different approach, he said. Although a number of applications had been received from economists who looked promising, their qualifications were not exactly suitable to the requirements of existing vacancies. In view of this fact, the proposal had been made that it might be desirable to move toward the idea of a pool of economist positions within the Division. With the passage of time, as the new economists gained experience, they could be absorbed into specialized vacancies that might develop within the Division.

2/28/63

-6-

The other members of the Board indicated that the suggested procedure appeared to have merit.

Governor Mills said his review of the Budget Performance left with him the impression that, despite adherence to the over-all budget figure in 1962, there had been deviations within the budget total with respect to expenditures by different Divisions and with respect to particular activities. Only the fact of a sizable number of unfilled positions, coupled with withdrawals and retirements, had prevented the budget from being exceeded. It was a matter of concern to him, he said, that over the past two or three years there had been various expenditures not originally contemplated, thus departing from the concept of a strict budgetary discipline.

In reply Governor Shepardson noted the difficulty of trying to avoid certain kinds of budgetary deviations. In this respect he cited the chain banking survey undertaken at Congressman Patman's request, which had resulted in expenses not contemplated when the budget was prepared. As another example he noted the Board's decision to help defray the cost of a third quarterly survey of consumer buying intentions by the Bureau of the Census, amounting to over \$32,000 whereas the budget provided for the cost of only two quarterly surveys. His own feeling as to the nature of the Board's budget was that it constituted a projection of expenditures that should be as exact and realistic as possible, but with the realization that perfection could not be expected when the budget period extended some 15 months in the future. Given the

2/28/63

-7-

uncertainties inherent in a projection involving such a long time period, it was inevitable that situations would arise to which it would be necessary to make adjustment. It might be argued, Governor Shepardson said, that use by the Board of a six-month budget span, like the current procedure of the Reserve Banks, would be more advantageous, although personally he was doubtful whether there would be substantial benefits. On the other hand, it could be said that the Board was doing about as well as might reasonably be expected, so long as projects that had not been budgeted were brought regularly to the Board's attention for advance approval, as had been done.

Governor Balderston said that he thought the budgetary process had served its purpose well in 1962, if the budget was viewed as a guide to routine operations of the Board in contrast to unanticipated developments. Taking everything into account, actual expenditures during the year were within a percentage point of the budget, although there had been some plus and minus deviations within the over-all figure.

Governor Mitchell noted that he had examined the Board's budget for 1963 at some length and that in his opinion it was well constructed. He agreed with the view expressed by Governors Balderston and Shepardson that the budget should be regarded as a guide rather than as setting ceilings that could not be changed, in the light of developments, in the Board's judgment.

There followed further discussion during which it was observed that under the Board's budgetary procedures the various Divisions had not diverted unused budget amounts to unauthorized expenditures.

2/28/63

-8-

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Salary increases, effective March 3, 1963

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Robert B. Bretzfelder, Economist		\$ 9,475	9,790
Edward A. Manookian, Economist		10,735	11,515
Gail E. Mullin, Economist		9,790	11,150

International Finance

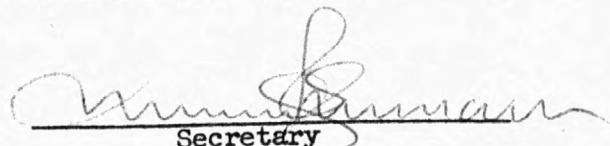
James K. Nettles, Economist	11,150	11,515
-----------------------------	--------	--------

Data Processing

Daviette Hill Stansbury, Research Assistant (Data Processing) (half-time basis)	3,338	3,450
------------------------------------------------------------------------------------	-------	-------

Outside activity

David S. Staiger, Economist, Division of Research and Statistics, to serve as an unpaid consultant to the Deputy Assistant Secretary of Defense for Systems Analysis for the next sixty days to assist in training his (Mr. Staiger's) replacement at the Department of Defense, such work to be performed during evening hours and weekends.



John W. Freeman
Secretary

723
Item No. 1
2/28/63



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 28, 1963

First National City Bank,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In view of the request contained in your letter of February 1, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors extends to April 1, 1964, the time within which your Bank may establish a branch in the City of Geneva, Switzerland, as authorized by the Board's letter of April 11, 1962.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the exact location of the branch.

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
2/28/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 28, 1963

Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of February 12, 1963, concerning the application of Wayne County Bank and Trust Company, Honesdale, Pennsylvania, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

During the last examination of subject bank by representatives of the Federal Reserve Bank of Philadelphia, the following nonconformity with section 18(a) of the Federal Deposit Insurance Act was noted: prescribed official signs were not displayed at each window where insured deposits are received. Management indicated that corrective steps would be taken. No other corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 3
2/28/63

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 28, 1963

Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of February 12, 1963, concerning the application of The Peoples Banking Company, McComb, Ohio, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank. However, for the past several examinations, this bank has been encouraged to formulate plans that would improve its capital position.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 4
2/28/63

BOARD OF GOVERNORS
OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 28, 1963

Board of Directors,
Merchants and Farmers Bank,
Portsmouth, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of \$301,872 in bank premises by Merchants and Farmers Bank, Portsmouth, Virginia, for the purpose of purchasing land and constructing a new building for the Alexander's Corner Branch. The amount approved is based on the bank's statement as of December 28, 1962, and represents a \$100,000 investment (cost of land) in its affiliate which was organized to hold title to the branch property, a \$2,500 loan to the affiliate and an amount not to exceed \$199,372 for the purpose of constructing branch quarters.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

727

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.



Item No. 5
2/28/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 28, 1963

Board of Directors,
Farmers Loan and Trust Company,
Tipton, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Farmers Loan and Trust Company, of not to exceed \$25,000 for the purpose of acquiring and improving property for use as a parking lot. This amount includes the indebtedness of the bank's affiliate which now owns the parking lot.

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. 6
2/28/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 28, 1963

Mr. Clarence L. Hulford, Vice President,
The National Bank of Commerce of Seattle,
P. O. Box 3966,
Seattle 24, Washington.

Dear Mr. Hulford:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated January 10, 1963, of Commerce International Banking Corporation, 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. As you are aware, 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.

The Board of Governors authorizes Commerce International Banking Corporation, pursuant to the provisions of Section 25(a) of the Federal Reserve Act and the Board's Regulation K and upon receipt of a final permit to commence business, to establish a branch in Hong Kong, Colony of Hong Kong, and to operate and maintain such branch subject to the provisions of such section and regulation. Unless the branch is actually established and opened for business within one year from the date of the final permit to commence business, the authority to establish such branch will automatically terminate on that date.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of San Francisco, when the branch is established and opened for business, furnishing information as to the exact location of the branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

February 28, 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 January 10, 1963, of COMMERCE INTERNATIONAL BANKING CORPORATION duly filed with said Board of Governors, and that COMMERCE INTERNATIONAL BANKING CORPORATION 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

By (Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(SEAL)