

609
9/61

Minutes for March 11, 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


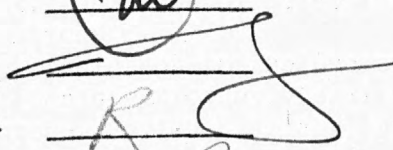
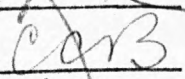
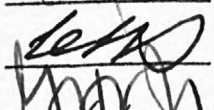
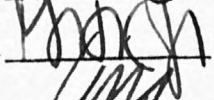
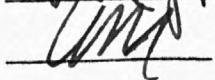
Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve
System on Monday, March 11, 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. 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. Johnson, Director, Division of Personnel
Administration
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Dembitz, Associate Adviser, Division of
Research and Statistics
Mr. Conkling, Assistant Director, Division of
Bank Operations
Mr. Daniels, 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
Mr. Young, Senior Attorney, Legal Division
Mr. Poundstone, Review Examiner, Division of
Examinations
Mr. Doyle, Attorney, Legal Division
Mr. Ring, Technical Assistant, Division of
Bank Operations
Mr. Wood, Personnel Assistant, Division of
Personnel Administration

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

3/11/63

-2-

Item No.

Letter to Morgan Guaranty International Finance Corporation, New York, New York, granting consent to the purchase of additional shares of Roberts, S.A. de Finanzas, Buenos Aires, Argentina.

1

Letter to Glasgow Savings Bank, Glasgow, Missouri, waiving the requirement of six-months' notice of withdrawal from membership in the Federal Reserve System.

2

Letter to the Federal Reserve Bank of Richmond waiving the assessment of a penalty incurred by Peoples National Bank, Rock Hill, South Carolina, because of a deficiency in its required reserves.

3

Letter to the Federal Reserve Bank of Chicago interposing no objection to a provisional 30-day extension of leave of absence without pay to Miss Jo Ann Aufdenkamp to finish her assignment with Klein and Saks as library consultant to the National Planning Council of the Government of Liberia.

4

Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in Hayward.

5

Letter to The Cleveland Trust Company, Cleveland, Ohio, approving the establishment of a branch at St. Clair Avenue and East Ninth Street.

6

Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving (1) the establishment of a branch at 2831 West Girard Avenue and (2) an investment in bank premises.

7

Letter to The Continental Bank and Trust Company, Salt Lake City, Utah, approving the establishment of a branch in the vicinity of 5th East and South Temple Streets.

8

Letter to Coast Bank, Long Beach, California, approving the establishment of a branch at Garden Grove Boulevard and Huntington Beach Boulevard, Garden Grove, branch operations now conducted at 9836 Garden Grove Boulevard to be discontinued simultaneously.

9

3/11/63

-3-

	<u>Item No.</u>
Letter to the Secretary of Labor regarding proposed Rules, as revised, for the Nomination of Arbitrators under Section 11 of Executive Order 10988.	10
Letter to the Presidents of all Federal Reserve Banks regarding the daily telegraphic report of preliminary figures of reserve balances, required reserves, borrowings, and float.	11
Letter to the Presidents of all Federal Reserve Banks regarding the reporting of Federal funds transactions.	12

Messrs. Johnson, Dembitz, Conkling, Ring, and Wood then withdrew from the meeting and Mr. Hexter, Assistant General Counsel, entered the room.

Statement on silver legislation. Copies had been distributed of a draft of statement to be presented by Chairman Martin on March 12, 1963, before the House Banking and Currency Committee with regard to H. R. 4413, a bill to repeal the silver purchase laws and provide for replacement of silver certificates by Federal Reserve notes. The proposed statement would indicate, in part: (1) that it was believed unnecessary to utilize silver in the United States monetary system, other than as a material for coinage, with consequent lack of need for retention of the silver purchase provisions that would be repealed by the bill; (2) that the Board favored the proposed amendment in section 3 of the bill to authorize issuance of Federal Reserve notes in \$1 denomination and would recommend broadening the bill to cover \$2 notes in addition to denominations now authorized; and (3) with respect to

3/11/63

-4-

the technicalities of the bill's tax provisions, that the Board was not in a position to comment, although it perceived no objection in principle to repealing the tax on transfers of silver bullion.

At the request of the Chairman, Mr. Cardon commented on the draft statement, noting that it was intended to be consistent with the Board's letter of February 14, 1963, to Chairman Robertson of the Senate Banking and Currency Committee reporting on S. 731, a bill "To repeal certain legislation relating to the purchase of silver, and for other purposes."

The Chairman then asked for the views of the members of the Board, starting with Governor Mills.

Governor Mills commented that, as he recalled it, the letter to Senator Robertson had been couched in somewhat more restrained language than the draft statement. Referring to views on this subject that he had expressed at previous Board meetings (and on one occasion had summarized in a memorandum dated October 25, 1961), Governor Mills said he believed there was a danger of underestimating the psychological effects of legislation of this kind and of certain portions of the proposed statement. Although some of the reactions would have a political flavor, he felt that they should not be disregarded. The proposed statement, he noted, would say that the Board favored the proposed legislation rather than that it interposed no objection. This, in his opinion, was a broad statement. He found comfort in having a metallic base to the currency; while gold was the foundation, silver had played a part for many generations.

3/11/63

-5-

Citing the portion of the statement that read "Although some concern has been expressed that removing the silver 'backing' from part of our currency might lower its value, I feel that any fears on that score are unfounded," Governor Mills indicated that he believed the implication in the quoted passage that silver fulfilled no function as a disciplinary control over the issuance of currency could put the Board in an unfavorable light, at least in some quarters. Furthermore, with respect to reference in the statement to the shifting relationship between the official and market prices of silver and its relevance to control of the money supply, Governor Mills felt that the emphasis on the minor role played by silver by the same token implied that gold reserves played no disciplinary role in restraining the expansion of credit. In substance, he did not believe that it was advisable for the Board to espouse H. R. 4413 with the enthusiasm that was shown in the draft statement.

Governor Mitchell said that he thought the statement had been well composed and that its logic was sound. Although he was prepared to have some of the enthusiasm deleted from the statement, as suggested by Governor Mills, he was not prepared to support a change in the logical argument.

Chairman Martin indicated that Governor Mitchell's comments reflected his own thinking. He thought the logic of the position taken in the statement was clear. If desired, however, there could be some toning down of the enthusiasm in the statement.

3/11/63

-6-

After further discussion along these lines, during which Governor Balderston suggested changes that might be made at certain points in the statement, Governor Robertson observed that the Board had already taken a position similar to that expressed in the statement in the letter of February 14 to the Senate Banking and Currency Committee. Hence, any major change in the proposed statement might suggest a change in the Board's position.

In discussion of this point it was noted one of the sentences in the proposed statement followed closely a sentence in the February 14 letter to Senator Robertson that read: "The Board believes that it is unnecessary to utilize silver as part of the United States monetary system other than as a material for coinage. Therefore, there is no need for retention of the existing silver purchase provisions."

There ensued further discussion during which various suggestions were made for modifying the statement. This discussion indicated that all of the Board members except Governor Mills supported the general position taken in the proposed statement. As to the tone of the statement, Governor Balderston indicated that such concern as he felt was directed toward certain passages that might be misunderstood if quoted out of context; his concern would be met through the adoption of suggestions along the lines of several made at this meeting, principally by Governor Mitchell and Mr. Cardon. Governors Robertson and Shepardson suggested that the statement not be modified in such fashion as to obscure the logic of the arguments therein or the view of the majority of the

3/11/63

-7-

Board that the legislation was desirable. Chairman Martin commented that as far as he could see, this country had never had any particular success with bimetallism. He had felt for a long time that it would be advisable to try to eliminate the silver backing for the currency. At the same time, the matter came down basically to a philosophical question, and he could understand the reservations entertained by those who felt like Governor Mills.

There was also some discussion as to the desirability of including in the statement a comment that the Board, although not in a position to comment on the technicalities of the bill's tax provisions, perceived no objection in principle to repealing the tax on transfers of silver bullion. Governor Mills stated reasons why, as he understood these provisions, there might be more merit in them than he attached to the other provisions of the bill. It was pointed out, also, that the Secretary of the Treasury presumably would provide an explanation of the tax provisions in his testimony today on the bill; failure of Chairman Martin to include some comment in his testimony might elicit questions. In the circumstances, it was agreed that a comment along the lines of the sentence in the draft statement probably would be appropriate.

At the conclusion of this discussion it was understood that the statement would be put in a final form satisfactory to the Chairman for delivery on March 12, 1963, and that Governor Mills dissented from the position expressed therein.

3/11/63

-8-

Mr. Solomon, Director, Division of Examinations, entered the room during the foregoing discussion. At its conclusion Messrs. Young, Adviser to the Board and Director, Division of International Finance, Furth, Adviser, Division of International Finance, and Solomon, Associate Adviser, Division of Research and Statistics, entered the room and Mr. Daniels withdrew.

Report of Committee on Financial Institutions. Pursuant to the understanding at the meeting on March 6, 1963, there had been docketed for discussion at this morning's meeting a revised draft of report of the Committee on Financial Institutions, dated February 26, 1963. The general task of the Committee on Financial Institutions was, according to the President's memorandum of March 28, 1962, that established the Committee, "to consider what changes, if any, in government policy toward private financial institutions could contribute to economic stability, growth, and efficiency."

At the March 6 meeting of the Board, Chairman Martin had pointed out that a meeting of the Committee on Financial Institutions was scheduled for this afternoon and that it would be necessary for him, as a member of the Committee, to take a position on the topics covered in the report. Therefore, it would be helpful to him to have the benefit of the views of the other members of the Board.

Accordingly, at this meeting there was a general discussion of the proposed report during which attention first was directed to the

3/11/63

-9-

question of par clearance. This subject was covered in a section of the proposed report dealing with compulsory membership in the Federal Reserve System. In that section it was pointed out that the principal advantages of universal membership by commercial banks in the System would be achieved if all commercial banks were subject to the reserve requirements of the Federal Reserve and membership for State-chartered banks remained voluntary. It was also pointed out that once the principle of compulsory reserves was accepted, a major remaining deterrent to full membership was the requirement that member banks remit at par for checks drawn upon them. The report would state that the Committee favored par clearance in principle but recognized that prompt elimination of the impediment in the payments system resulting from the fact that 1,600 banks (with 1,900 offices) did not remit at par might impose some strain on the nonpar banks. The conclusion of this section would state that all commercial banks ought to be subject to the reserve requirements specified by the Federal Reserve and ought to have access to Federal Reserve advances; membership in the System would continue to be voluntary for State-chartered banks.

After discussion of the treatment of the subject in the proposed report and views that were understood to be held by various interested persons within the Government, Chairman Martin inquired whether he could say that the members of the Board were in favor of the elimination of nonpar banking, and there was no indication of dissent from that position.

3/11/63

-10-

Governor Mitchell commented, however, that he would not want to jeopardize getting out the report of the Committee, which he considered quite an exceptional document. It dealt well with controversial material, and he would hate to see it jeopardized because of insistence on particular changes.

Governor Shepardson suggested that even if it was necessary to compromise on the recommendation, it might be possible to include in the analytical material an outline of the reasons for elimination of nonpar clearance. He noted that in this area, as contrasted with other parts of the report, the pros and cons were not spelled out.

After further discussion, it was understood that the members of the Board were unanimously in favor of the elimination of nonpar banking, and that from this point Chairman Martin would deal with the subject within the Committee in such manner as might seem to him most appropriate.

The Chairman then requested the Board's views as to the conclusion of the report that favored a substantial increase--perhaps to \$25,000--in the existing coverage of Federal insurance for bank deposits and savings and loan shares.

Governor Mills said that personally he would not favor an increase. As he understood the underlying philosophy behind deposit and share insurance, it was designed to protect the smaller depositor who was not in a position to be well informed regarding the particular institution with which he was doing business. An increase in the

3/11/63

-11-

insured maximum from \$10,000 to \$25,000 per account would not offer much in the way of increased protection to this segment of the public. So far as larger depositors or shareholders were concerned, they should have the capacity to judge the character of the banks and savings and loan associations with which they did business. It was his impression that the majority sentiment in the banking community was opposed to an increase. He thought this was especially true among the larger banks, who admittedly had a selfish interest because they would like to see the costs of insurance go down.

Governor Mitchell suggested that the principal effect of the proposal might be to assist smaller banks in attracting and retaining accounts that would exceed the present limit of \$10,000.

After further discussion, Chairman Martin said he thought that in principle, according to the concept Governor Mills had outlined of the rationale underlying the initiation of deposit insurance, a substantial increase in insurance coverage was clearly wrong.

It was noted that one dissent to the proposed recommendation already was registered in the draft report, and question was raised whether Chairman Martin might not want to add his dissent. Governor Robertson suggested, in this connection, that if Chairman Martin took a position against the proposal, that might have the effect of swinging the Committee to a different approach. Mr. Noyes expressed the view that if the Chairman and the Secretary of the Treasury raised serious

3/11/63

-12-

questions, that might at least swing the Committee to a less specific recommendation.

Chairman Martin concluded the discussion of this particular part of the proposed report by saying that it seemed the Board was clear on this matter in principle, as it was on the matter of nonpar banking. He understood that he could say that the Board, as a Board, was clear on these two matters in principle. There was no indication of dissent from this comment by the Chairman.

The discussion then turned to the conclusion in the draft report that voluntary Federal charters should be available for mutual savings banks, subject to adequate supervisory standards and safeguards. It was noted that the Board was presently in receipt of requests from the Senate and House Banking and Currency Committees for reports on current bills that would provide for the Federal chartering of mutuals.

Governor Mills recalled that the Board was already on record (letters of December 9, 1960, and January 19, 1962, to Senator Robertson) as raising certain broad questions as to whether legislation to authorize the Federal chartering of mutual savings banks would actually increase the flow of savings within the economy as a whole and whether a system of Federally-chartered mutuals would result in a rearrangement of the present pattern of relationships among financial institutions that would best serve the public interest. According to his recollection, the Board also had felt that the creation of a new Federal agency to

3/11/63

-13-

supervise the activities of Federally-chartered mutual savings banks had no particular merit. It was not entirely clear to him why the National Association of Mutual Savings Banks was interested in legislation to permit the Federal chartering of mutual savings banks. Apparently, however, it was felt that the survival of mutuals, as a class of financial institutions, required the operation of such banks over a much broader geographical coverage than at present.

Governor Mitchell suggested that the proposed legislation represented an attempt of the mutual savings banks to gain the advantages of the dual banking system, in the same manner as commercial banks. The mutuals wanted to live and grow, but they were being restricted by State regulations. At present, mutual savings banks could be organized in only 18 States.

Mr. Shay pointed out that the Board, despite the reservations in its reports, had been recorded by the cognizant Senate and House Committees as favoring such legislation with amendments. Mr. Young of the Legal Division noted that at the time of the introduction of the present bills in the Senate and the House the sponsors had stated that the Board's position was that legislation to permit the Federal chartering of mutual savings banks deserved careful consideration. Mr. Young also noted that the bills now before the Congress would make the Federal Home Loan Bank Board the chartering and supervising agency for Federal mutual savings banks; no new agency would be created.

3/11/63

-14-

The Chairman then asked for the views of the Board members as to the report, as a whole, of the Committee on Financial Institutions.

Governor Mills stated that he believed the report did not clearly delineate all of the issues. He would challenge many of the positions taken in it. For this reason he wished to hold himself apart from the report. Should specific legislation be submitted to implement a number of the conclusions in the report, he would want to be free to declare himself adversely with respect to them. His general reaction to the document was that it was watered down unduly.

Governor Robertson expressed the view that as a document setting forth the pros and cons on several important issues, the report represented a good job. A firmness of recommendations was not present, but he doubted that this could be expected.

Governor Shepardson expressed general agreement with Governor Robertson's views as to the effectiveness of the report in setting forth the pros and cons of various issues, although he believed that at certain points there might be improvement, particularly in respect to the question of par clearance of checks. He had hoped that a more pointed stand might have been taken on certain questions, but he felt that the issues were rather clearly set forth except in one or two areas.

Governor Mitchell said he thought that this morning's discussion clearly brought out the difficulty of taking care of differing views on questions of the kind dealt with in the report. In general, he considered the report a good one.

3/11/63

-15-

Messrs. Young (Adviser to the Board), Cardon, and Furth withdrew during the foregoing discussion and Messrs. Farrell, Hexter, Solomon (Research and Statistics), Leavitt, and Young (Legal) withdrew at its conclusion.

Revision of Regulation K (Item No. 13). Pursuant to the discussion at the meeting on February 18, 1963, there had been distributed with a memorandum from the Legal Division dated March 8, 1963, a draft revision of Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing under the Federal Reserve Act. Should the Board approve, the revision would be sent to the Federal Register for publication to allow interested parties to submit comments. Copies of the revision also would be sent for comment to Edge Act corporations, "agreement" corporations, and interested Government agencies, as well as to the Federal Reserve Banks and the Federal Advisory Council.

The draft revision endeavored (1) to reflect substantive changes in the Regulation understood from past Board discussions to be agreeable to the Board; (2) to eliminate provisions of the Regulation that merely reiterated requirements of section 25(a) of the Federal Reserve Act; and (3) otherwise to shorten and simplify the Regulation by technical changes in form and wording without changes in substance. Consideration had been given to comments received from the Divisions of Examinations and International Finance in preparation of the revision.

The revision, as submitted, differed from the current Regulation K in the following major respects:

3/11/63

-16-

1. National Purpose. - A brief statement of the national purpose for which Edge Act corporations might be organized was introduced. A statement of general policy concerning operations of Edge Act corporations in the United States also had been added.

2. Formal Distinction Abolished. - The formal distinction between "banking" and "financing" corporations had been eliminated. The substance of the distinction had been maintained to some extent, however, by inserting where necessary "engaged in banking" and "not engaged in banking" in place of "banking" and "financing", respectively.

3. Stock Investment. - The draft revision represented substantial modification and simplification of the procedure by which Edge Act corporations are allowed to invest in the stock of other corporations. The former general consent provisions had been removed, and stock investments were to be permitted without prior specific consent of the Board, for example, in foreign corporations to which credit had been extended. Edge Act corporations might also acquire up to 25 per cent of the voting stock of a foreign bank without specific prior Board approval. The Board would not grant such specific consents as were still required if the proposed investment would be contrary to the foreign policy or international economic objectives of the United States.

4. Time Deposits. - The restrictions in the present Regulation had been relaxed so as to remove the restriction on accepting time deposits from foreign depositors solely for the purpose of safekeeping or investment.

5. Acquisition of Credits Subsequent to Initiation Thereof. - The provisions of the present Regulation had been relaxed so as to permit acquisition from others by an Edge Act corporation of certain credits, subsequent to initiation of export transactions, if the transactions could have been made by the corporation at inception.

6. Acceptances. - The revision altered the present Regulation so as to require acceptance transactions to conform to Regulation C, pertaining to member banks, except with respect to limitations. This reflected some tightening of the applicable requirements.

Governor Mitchell expressed the opinion that the revised draft of Regulation reflected faithfully the recent discussions of the Board

3/11/63

-17-

with respect to substantive issues. Also, it represented an attempt to condense the Regulation to the extent practicable. He noted that a redraft of page 16 of the revision (relating to investments in stock of other corporations) had been distributed just before this meeting. In his opinion the revised draft of Regulation was now in form satisfactory for publication in the Federal Register for comment.

After discussion, publication of the draft revision of Regulation K in the Federal Register as a notice of proposed rule making was authorized, with the understanding that further consideration would be given to the matter by the Board following the receipt of comments. A copy of the press release issued in this regard is attached as Item No. 13.

Messrs. O'Connell, Shay, Goodman, Poundstone, and Doyle withdrew from the meeting at this point and Mr. Morgan, Editorial Specialist, Board Members' Offices, joined the meeting.

Directors Day. There had been distributed under date of March 6, 1963, a memorandum from Messrs. Fauver and Morgan regarding the proposed program for Directors Day, March 20-21, 1963. The memorandum stated that the format for the proposed program evolved from discussions of a group composed of Governors Shepardson and Mitchell and Messrs. Molony, Fauver, Noyes, Sammons, and Morgan, and that the form of program closely paralleled that of 1962, with some changes in participants, timing, and emphasis on subject matter. Although most members of the

3/11/63

-18-

Board would not be scheduled to participate personally in the presentation of the formal program, at least three, and possibly four, occasions would be provided to enable each visiting director to meet members of the Board for discussion in small groups. The first of these occasions was at dinner the evening of March 20; the second was during the conference period in Board members' offices from noon to one o'clock on March 21; and the third was during luncheon in the Federal Reserve Building. The fourth occasion, a buffet breakfast at the Sheraton-Carlton Hotel at which directors might meet with the Board and selected staff, was tentative; the Board's reaction would be appreciated.

Governor Shepardson stated that it would be helpful for those engaged in making the necessary arrangements to have the views of the Board members on the tentative program. He called attention to several parts of the program and said, in reply to an observation by Governor Mills, that an effort had been made to provide more opportunity for Board members to sit in small discussion groups with the directors. Governor Mitchell commented that this was based on the hope that an informal discussion atmosphere would be conducive to becoming better acquainted with the directors.

With respect to inclusion in the program of a presentation on supervisory responsibilities of the System, Governor Shepardson noted that the decision to incorporate the topic in the program had been made because of current proposals relating to Federal bank supervision

3/11/63

-19-

that it was thought might cause the directors to have questions on the topic. Mr. Fauver added the comment that part of the allotted time for this topic would be reserved for questions. He pointed out that, as a result of an evaluation of last year's Directors Day program, fewer staff members were slated to participate in this year's program.

Governor Mills expressed doubt about the content of some parts of the program in terms of the degree of interest to the directors. However, he realized that a great deal of thought had gone into the planning of the program, and he would not want to suggest substantial revisions at this stage.

Comments with respect to the buffet breakfast were generally favorable, and it was understood that this feature would be included in the program.

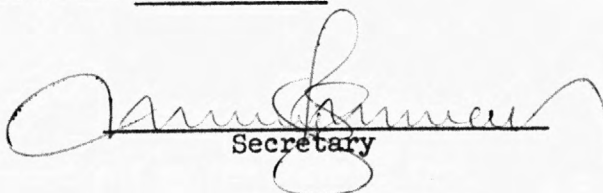
The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum dated March 7, 1963, from Mr. Noyes, Director, Division of Research and Statistics, Governor Shepardson today approved on behalf of the Board the appointment of Arnold Katz, Assistant Professor, Economics, Columbia University, as Consultant in that Division, effective to December 31, 1963, on a temporary contractual basis, with compensation at the rate of \$40 per day for each day worked for the Board, and, when in travel status, transportation expenses and a per diem allowance to be paid in accordance with the Board's travel regulations.

3/11/63

-20-

Governor Shepardson also approved on behalf of the Board memoranda addressed to all Board employees and consultants (attached Item No. 14) relating to conflicts of interest and the Board's "Rules Relating to the Maintenance of the Confidential Character of System Affairs and to Personal Financial Transactions and Other Outside Business Activities of Members of the Staff." Copies of the memoranda were transmitted to the President of the United States by letter dated March 11, 1963 (attached Item No. 15).



Secretary

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

Item No. 1
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963.



Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished with your letter of January 31, 1963, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation to purchase and hold 24,000 additional shares, par value Argentine Pesos 100 each, of the capital stock of Roberts, S.A. de Finanzas, Buenos Aires, Argentina, at a cost of approximately US\$18,045, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted subject to the same conditions prescribed in the Board's letter of March 8, 1961, granting consent to the purchase of 120,000 shares of Roberts, S.A. de Finanzas.

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
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963



Board of Directors,
Glasgow Savings Bank,
Glasgow, Missouri.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter dated February 12, 1963, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six-months' notice of such withdrawal.

The Board of Governors waives the requirement of six-months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of St. Louis.

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
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 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 25, regarding the penalty of \$261.63 incurred by the Peoples National Bank, Rock Hill, South Carolina, on a 9.97 per cent deficiency in its required reserves for the computation period ended February 6, 1963.

It is noted that: (1) the deficiency resulted from the failure of the member bank to prepare and dispatch its transfer drafts to the Federal Reserve Bank of New York and to your Charlotte Branch for credits to its reserve account, although entries to this effect were made on its books; (2) the error was discovered too late to avoid the deficiency, although it could have been detected sooner had the member bank checked your Bank's daily statement of its account promptly upon receipt, a practice that has since been adopted; and (3) the bank has a good record in maintaining its required reserves.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of \$261.63 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. 4
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963

Mr. Charles J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Scanlon:

This is in reply to your letter of February 28, 1963, in which you indicated that the management and directors of your Bank had approved a provisional 30-day extension of the leave of absence without pay granted to Miss Jo Ann Aufdenkamp.

The Board of Governors interposes no objection to this proposal.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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



863
Item No. 5
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to August 28, 1963, the time within which Wells Fargo Bank, San Francisco, California, may establish a branch in the vicinity of West Jackson Street and Calaroga Avenue, Hayward, California, under authority granted in the Board's letter dated February 28, 1962.

The Board assumes that Wells Fargo Bank will take those steps necessary to enable it to establish this branch within a reasonable period of time.

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
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963

Board of Directors,
The Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Cleveland Trust Company at the northeast corner of St. Clair Avenue and East Ninth Street, Cleveland, Ohio, provided the branch is established within eighteen months 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
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, at 2831 West Girard Avenue, Philadelphia, Pennsylvania, provided the branch is established within one year from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$35,000 in bank premises incident to the establishment of the branch approved in 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.)



866

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

Item No. 8
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963

Board of Directors,
The Continental Bank and Trust Company,
Salt Lake City, Utah.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Continental Bank and Trust Company, Salt Lake City, Utah, in the vicinity of 5th East and South Temple Streets, Salt Lake City, Utah, provided the branch is established within six months 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. 9
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1963

Board of Directors,
Coast Bank,
Long Beach, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Coast Bank, Long Beach, California, at the southwest corner of Garden Grove Boulevard and Huntington Beach Boulevard, Garden Grove, California, provided the branch is established within one year from the date of this letter, and provided further that branch operations now conducted at 9836 Garden Grove Boulevard, Garden Grove, are discontinued simultaneously with the establishment of the above branch.

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. 10
3/11/63

OFFICE OF THE CHAIRMAN

March 11, 1963

The Honorable W. Willard Wirtz,
Secretary of Labor,
Washington 25, D. C.

Dear Mr. Secretary:

With reference to your letter of February 14, 1963, the Board of Governors has no comments to offer on the proposed Rules as revised for the Nomination of Arbitrators under Section 11 of Executive Order 10988.

We are none the less appreciative of your consideration in requesting our views and comments on this matter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

S-1865

869

Item No. 11
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

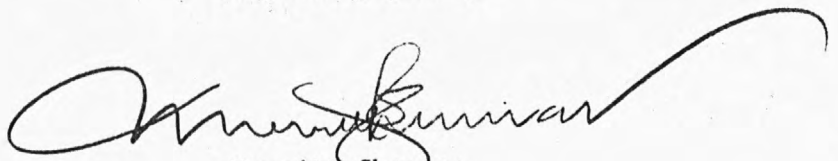
March 13, 1963.

Dear Sir:

For some time the Federal Reserve Banks have been telegraphing preliminary figures of reserve balances, required reserves, borrowings, and float to the New York Reserve Bank, pursuant to the Board's letters of November 19, 1958 and December 17, 1957. The data are consolidated there for the Open Market Committee, and early availability facilitates decisions affecting the System Account.

The purpose of this letter is to transmit instructions that combine and update those contained in previous communications in a convenient form for recurring use. The principal change is to provide for reporting figures on vault cash and required reserves for Saturdays and holidays; these additional figures will assist the New York Reserve Bank in the computation of daily averages.

Very truly yours,



Merritt Sherman,
Secretary.

Attachments

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

870
S-1866
Item No. 12
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1963.

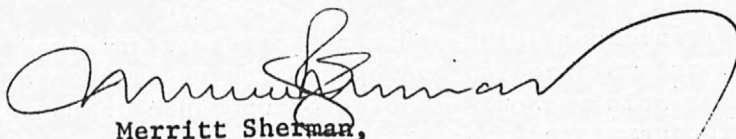
Dear Sir:

As mentioned in the Board's letter of August 30, 1962 (S-1839, FRLS #3350), regarding the reporting of Federal funds transactions, such reporting was subject to revision after initial experience.

Clarifying revisions have been made in the previous instructions; revisions were made in form FR 716b to facilitate key-punching; and changes occurred in the list of reporting banks. There is no change on the form FR 716 sheet, except for insertion of the Budget Bureau number.

The attachments should be substituted for those enclosed with the Board's letter of August 30. The coding and punching instructions mentioned in that letter were forwarded by the Board's Division of Bank Operations on November 14, 1962.

Very truly yours,


Merritt Sherman,
Secretary.

Attachments

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



FEDERAL RESERVE

press release

Item No. 13

3/11/63

871

For Immediate Release

March 12, 1963.

The Board of Governors today announced a proposed comprehensive revision of its Regulation K affecting "Corporations Doing Foreign Banking or Foreign Financing Under the Federal Reserve Act." The Board has asked for comments by April 17, 1963, on the proposed revision. The changes follow a review of the existing rules that have prevailed since January 1957 and that are applicable to the so-called Edge Act Corporations operating under section 25(a) of the Federal Reserve Act.

One important objective of the revision was to shorten and simplify the regulation in several respects by technical changes in form and wording without changing the substance of those portions. For example, the revision eliminates provisions of the present regulation which merely reiterate the requirements of the statute.

With respect to substantive matters, the proposed revision differs from the current Regulation K in the following major respects:

1. For the first time the regulation would contain a brief statement of the national purpose for which Edge Act Corporations may be organized (section 211.1). Also, a statement of general policy has been added concerning operations of Edge Act Corporations in the United States (section 211.6(a)).
2. The formal distinction between "Banking" and "Financing" corporations would be eliminated in the revised regulation. The substance of the distinction would be maintained to some extent, however, by inserting where necessary "engaged in banking" and "not engaged in banking" in place of "Banking" and "Financing," respectively.
3. The draft revision represents a substantial modification and simplification of the procedure by which Edge Act Corporations are allowed to invest in the stock of other corporations. The revision makes it unnecessary to apply for the Board's consent for stock investments in certain cases; for example, in foreign corporations to which credit has been extended. Edge Act Corporations would also be able to acquire up to 25 per cent of the voting stock of a foreign bank without specific prior Board approval. The revised regulation would provide, however, that the Board would not grant specific consent in these situations where the proposed investment would be contrary to the foreign policy or international economic objectives of the United States; also, that the Corporation should dispose of any stock holdings that the Board considered to be inconsistent with furtherance of foreign commerce or current international objectives. (section 211.8.)

4. The restrictions of the present regulation would be relaxed so as to remove the restriction on accepting time deposits from foreign depositors solely for the purpose of safekeeping or investment (section 211.6(c)(1)).

5. The provisions of the present regulation would be relaxed to permit acquisition from others by an Edge Act Corporation of certain credits, subsequent to initiation of export or import transactions, if the transactions could have been made by the Corporation at inception (section 211.6(d)(4)).

6. Some tightening of applicable requirements for acceptance transactions under the present regulation would follow from a change that would require acceptance transactions to conform to Regulation C pertaining to member banks (section 211.7).

At present 23 Edge Act Corporations are engaged in international or foreign banking or financial operations under section 25(a) of the Federal Reserve Act and subject to the provisions of Regulation K. Of these, 10 are "Banking Corporations" and 13 are "Financing Corporations." In addition, 5 so-called "Agreement Corporations" are subject to the regulation's provisions by virtue of agreements made with the Board pursuant to section 25 of the Federal Reserve Act.

To aid in its consideration of this proposed revision, which will be published in the Federal Register, the Board of Governors invites interested persons to submit any relevant data, views, or comments they may wish. Such material should be submitted in writing, to be received not later than April 17, 1963.

The text of the proposed revision is attached.



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

873
Item No. 14
3/11/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 8, 1963.

To: All Employees and Consultants

Attached is a memorandum from the Board calling the attention of the members of its staff and consultants to the provisions of Public Law 87-849, which became effective January 21, 1963, relating to conflicts of interest. There is also attached a copy of the Board's "Rules Relating to the Maintenance of the Confidential Character of System Affairs and to Personal Financial Transactions and Other Outside Business Activities of Members of the Staff" which is distributed to all members of the staff once a year.

DIVISION OF PERSONNEL ADMINISTRATION.

Attachments.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

874

Office Correspondence

Date March 8, 1963.

To All Employees and Consultants

Subject: Conflicts of interest and

From Board of Governors

ethical standards of conduct.

The President of the United States on April 27, 1961, addressed a special message on conflicts of interest to the Congress calling attention to the responsibilities of Government for maintaining the highest standards of ethical behavior by those who conduct the public business. The President reviewed existing provisions of law relating to the general subject of conflicts of interest and stated he was instructing each Cabinet Member and Agency Head to take steps designed to maintain high moral and ethical standards within the respective organizations.

The purpose of this memorandum is to acquaint you with the provisions of Public Law 87-849, which became effective January 21, 1963. This law repeals the seven statutes referred to in the Board's memorandum to all employees and consultants of November 13, 1961, and contains new provisions which are intended to strengthen the criminal laws relating to bribery, graft, and conflicts of interest. The following statement of the main provisions of this law extracted from a summary prepared by the Attorney General is given below for your information and guidance.

A regular officer or employee of the Government--that is, one appointed or employed to serve more than 130 days in any period of 365 days--is in general subject to the following major prohibitions:

1. He may not, except in the discharge of his official duties, represent anyone else before a court or Government agency in a matter in which the United States is a party or has an interest. This prohibition applies both to paid and unpaid representation of another.
2. He may not participate in his governmental capacity in any matter in which he, his spouse, minor child, outside business associate or person with whom he is negotiating for employment has a financial interest.
3. He may not, after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and in which he participated personally and substantially for the Government.
4. He may not, for one year after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and which was within the boundaries of his official responsibility* during the last year of

* The term "official responsibility" means "the direct administrative or operating authority, whether intermediate or final, and either exercisable alone or with others, and either personally or through subordinates, to approve, disapprove, or otherwise direct Government action."

his Government service. This temporary restraint of course gives way to the permanent restraint described in paragraph 3 if the matter is one in which he participated personally and substantially.

5. He may not receive any salary, or supplementation of his Government salary, from a private source as compensation for his services to the Government.

A special Government employee--that is, one appointed or employed to serve with or without compensation for not more than 130 days during any period of 365 days either on a full-time or intermittent basis--is in general subject only to the following major prohibitions:

1. (a) He may not, except in the discharge of his official duties, represent anyone else before a court or Government agency in a matter in which the United States is a party or has an interest and in which he has at any time participated personally and substantially for the Government.

(b) He may not, except in the discharge of his official duties, represent anyone else in a matter pending before the agency he serves unless he has served there no more than 60 days during the past 365. He is bound by this restraint despite the fact that the matter is not one in which he has ever participated personally and substantially.

The restrictions described in subparagraphs (a) and (b) apply to both paid and unpaid representation of another. These restrictions in combination are, of course, less extensive than the one described in the corresponding paragraph 1 in the list set forth above with regard to regular employees.

2. He may not participate in his governmental capacity in any matter in which he, his spouse, minor child, outside business associate or person with whom he is negotiating for employment has a financial interest.

3. He may not, after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and in which he participated personally and substantially for the Government.

4. He may not, for one year after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and which was within the boundaries of his official responsibility during the last year of his Government service. This temporary restraint of course gives way to the permanent restriction described in paragraph 3 if the matter is one in which he participated personally and substantially.

It will be seen that paragraphs 2, 3, and 4 for special Government employees are the same as the corresponding paragraphs for regular employees. Paragraph 5 for the latter, describing the bar against the receipt of salary for Government work from a private source, does not apply to special Government employees.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RULES RELATING TO THE MAINTENANCE OF
THE CONFIDENTIAL CHARACTER OF SYSTEM AFFAIRS, AND TO PERSONAL FINANCIAL
TRANSACTIONS AND OTHER OUTSIDE BUSINESS ACTIVITIES OF MEMBERS OF THE STAFF

The character of the Federal Reserve System requires the highest standards of conduct on the part of all persons who serve in the System.

Appropriate disciplinary action will follow for any member of the staff using confidential information, directly or indirectly, for the profit of himself or others, or for any other improper purpose.

All members of the staff shall understand clearly that they must not permit themselves to be placed in any position which might embarrass the System in the conduct of its operations or result in questions being raised as to the independence and honesty of their judgment in the discharge of their official responsibilities.

To insure such understanding, the Board of Governors has prescribed the following rules relating to the maintenance of the confidential character of System affairs, and to personal financial transactions and other outside business activities of members of the staff:

1. The affairs, actions, and activities of the System are confidential
2. Except as authorized by the Board, no member of the staff shall disclose or permit the disclosure of any unpublished information obtained in the course of his work which in any way relates to the Board of Governors, Federal Reserve Banks, the United States Treasury, or other agencies of the Government, or other persons or organizations providing official information to the Board.
3. No member of the staff shall engage in speculative dealings (as distinguished from investment) in securities, commodities, real estate, money, exchange, etc.
4. Any borrowing by a member of the staff shall be on a basis that any securing of credit shall not be on terms more favorable than he would be given if he were not on the staff of the Board.
5. No member of the staff shall engage in any outside business without permission of the Board.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

877
Item No. 15
3/11/63

OFFICE OF THE CHAIRMAN

March 11, 1963.

The President,
The White House,
Washington, D. C.

Dear Mr. President:

As requested in your memorandum of January 21 to the Heads of Executive Departments and Agencies, I enclose copies of the memoranda that are being distributed to each member of the Board's staff, and to each consultant on the rolls, with respect to conflicts of interest.

This material will be furnished to each person at the time he enters upon his duties with the Board of Governors and, in addition, will be brought to the attention of all members of the staff at least once a year.

Respectfully yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures