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Minutes for April 15, 1963

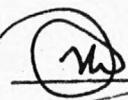
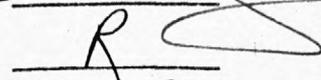
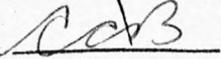
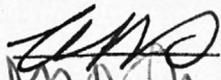
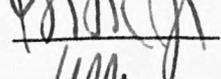
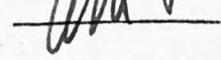
To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>
Gov. Mitchell	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Monday, April 15, 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. Fauver, Assistant to the Board  
Mr. Spencer, General Assistant, Office of the Secretary

Messrs. Koch, Brill, Garfield, Holland, Williams, Dembitz, Solomon, Altmann, Eckert, Freedman, Peret, Swindler, Wernick, and Yager, and Miss Stockwell and Mrs. Ulrey of the Division of Research and Statistics

Messrs. Furth, Hersey, Sammons, Katz, Irvine, Maroni, Reynolds, and Swerling of the Division of International Finance

Economic review. The Divisions of International Finance and Research and Statistics presented information relating to recent international and domestic financial and business developments, and made further comments in response to questions asked by members of the Board.

At the conclusion of this presentation, all members of the staff withdrew except Messrs. Sherman, Kenyon, Fauver, Koch, Dembitz, and Spencer, and Mrs. Ulrey, and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Shay, Assistant General Counsel

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Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Hill, Attorney, Legal Division

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

	<u>Item No.</u>
Letter to the Federal Deposit Insurance Corporation regarding the application of Southern Commercial and Savings Bank, St. Louis, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	1
Letter to Bank of Jamestown, Jamestown, New York, approving the establishment of a branch at 184 Fluvanna Avenue.	2

Application of Bank of Idaho (Items 3, 4, and 5). Pursuant to the decision reached at the meeting on April 9, 1963, there had been distributed, under date of April 11, drafts of an order and a statement reflecting approval of the application of Bank of Idaho, Boise, Idaho, to merge with Panhandle State Bank, Coeur d'Alene, Idaho.

Following discussion, the issuance of the order and statement was authorized, subject to a change in language at one point in the statement reflecting a suggestion by Governor Mills. Copies of the order and statement, as issued, are attached hereto as Items 3 and 4. A copy of the letter transmitting the order and statement to Bank of Idaho is attached as Item No. 5.

Messrs. Shay and Hill withdrew at this point and the following entered the room: Mr. Hexter, Assistant General Counsel, Mr. Bakke, Senior Attorney, Legal Division, and Miss Hart, Senior Attorney, Legal Division.

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Recommendations of the Administrative Conference of the United States (Item No. 6). There had been distributed a memorandum from the Legal Division dated March 18, 1963, with respect to a request from the Bureau of the Budget for comments on recommendations contained in a report dated December 15, 1962, submitted to the President by the Administrative Conference of the United States, which had been created for the purpose of studying Federal administrative procedures. The recommendations, of which there were 30, related to methods for increasing the effectiveness and efficiency of departmental and agency functions. Submitted with the Legal Division's memorandum was a draft of letter, with attached commentary, responding to the request of the Budget Bureau.

Following comments on this subject by Mr. Bakke, the reply to the Bureau of the Budget was approved unanimously. A copy of the letter, with comments, is attached as Item No. 6. In this connection, it was understood that one recommendation of the Conference (relating to the promulgation of a code of behavior governing ex parte contacts between persons outside and persons inside an agency) would receive further study by the Board's Legal Division, after which a report of evaluation of this particular recommendation would be suggested for transmittal to the Budget Bureau.

Mr. Bakke withdrew at this point and Mr. Molony, Assistant to the Board, entered the room.

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Margin requirements on bank loans. At the meeting on March 1, 1963, there was discussion of a survey that had been made of member bank loans collateralized by stocks and bonds. The survey was conducted in 1962 partly at the request of the Securities and Exchange Commission, which planned to use the information in connection with the Commission's special study of the securities markets. It was understood that the Commission expected to publish a statistical summary of the survey as an appendix item to a report to Congress, possibly recommending new legislation. Discussion centered on whether the Board would want to suggest to the Commission that it recommend to the Congress that present statutory authority be expanded in two ways: (1) to cover credit extended on unlisted securities as well as listed securities; and (2) to cover any loan collateralized by securities falling within the broadened definition, with the Board given authority to provide exemptions in its discretion. Consideration of these two questions resulted in a consensus that the Board would favor an expansion of statutory authority to regulate stock market credit extended on unlisted as well as listed securities, and it was understood that this view would be commented upon in the letter to the Commission transmitting the results of the survey. With respect to the question of broadened statutory authority that would subject to the margin regulations all loans collateralized by both listed and unlisted securities, despite the purpose of such loans, it developed that the Board wished to consider the matter further. The staff was

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therefore requested to prepare a memorandum on this phase of the subject.

Pursuant to this request, there had been distributed under date of March 11, 1963, a memorandum prepared by Mr. Dembitz. In the memorandum it was noted that the objective of margin requirements on bank loans, as stated in the Securities Exchange Act, was to help in preventing the excessive use of credit for purchasing or carrying securities. A second possible objective could be to protect the market from the effects of forced selling that arise from the existence of thinly margined loans. This objective, however, was not now stated in the Securities Exchange Act.

The memorandum went on to consider certain problems that could arise in relation to the objectives of the Securities Exchange Act, noting that it was difficult to determine the economic "purpose" of a loan on securities. It was suggested, however, that a regulation might seek to (1) minimize the extent to which borrowing could be done for speculative purposes on thin margins, while (2) allowing some means whereby holders of stocks could borrow reasonable amounts on them for purposes other than the carrying of securities. If it was assumed that the regulation of some loans not now deemed to be for the purpose of purchasing or carrying securities was considered desirable, four alternative approaches were suggested for consideration:

1. Applying the margin requirements to all loans on listed stocks that the borrower had not held (free of lien) for at least one year preceding the date of the loan.

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2. Exemption from the margin requirements might be dependent on whether a loan was to be repaid through periodic amortization.

3. Exemption from the requirements might be dependent on a bank's willingness to make a loan for an agreed maturity (or agreed schedule of instalment repayments) without retaining any right to demand prepayment in case of decline in the market value of the collateral.

4. Margin requirements could be applied to all loans that were made on listed stock as collateral. (The regulation should presumably allow holders of listed stocks to borrow reasonable amounts on them for clearly "legitimate" purposes; but instead of doing this by excepting some kinds of loans from the requirements, as in the preceding alternatives, it might be done by keeping the general margin requirement down to around 40-50 per cent.)

In commenting at the Board's request, Mr. Dembitz referred to a letter sent under date of April 3, 1963, from the Securities and Exchange Commission to the Congress transmitting the first segment of the Report of the Special Study of Securities Markets. In this letter it was indicated that the Commission had described a substantial part of the legislative measures that it would recommend to the Congress in 1963; a few other legislative measures would be subsequently proposed, however, one of which might concern certain aspects of security credit regulation. Such a recommendation would be submitted only after full coordination with the Board of Governors of the Federal Reserve System. It was also indicated in letters of April 3 and 9, 1963, from Chairman Cary of the Securities and Exchange Commission to Chairman Martin that any recommendation with respect to security credit would be made in coordination with the Board.

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Mr. Dembitz went on to say that discussion so far between the Board's staff and the Commission's staff had related only to general background. However, it was expected that the staff of the Commission would probably raise certain questions relating to broadening the Board's authority under the Securities Exchange Act. One question most likely to arise would be whether the Board should be authorized by Congress to regulate loans on stocks for purposes other than purchasing or carrying securities.

Mr. Dembitz also commented to some extent on the information and alternative suggestions contained in his memorandum of March 11, after which the views of the Board were expressed.

Governor Mills expressed concern that the proposals outlined in the memorandum went further in the field of regulation than would be justified. Stocks were being singled out as an area of collateral for the extension of bank credit that was considered evil, in essence, and punitive action therefore was being recommended. In his view, there would be equally good reasons for applying something similar to margin requirements to bank loans on commodities, bonds, or any other assets of variable value. To choose stocks as a particular form of asset that should be subjected to regulation as severe as was being contemplated was of concern to him, as an interference with the normal credit-granting practices of the commercial banking system.

Governor Mills noted that analysis by the staff of the recent survey had indicated that there was a substantial amount of credit

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extended by commercial banks on securities that was not subject to margin requirements. This did not necessarily mean, however, that any bank loan on stock collateral was for a speculative purpose. He concurred in the position taken by the Board that a large number of over-the-counter traded securities should be brought under the purview of Board regulation with a view to preventing the excessive use of credit in the stock market. However, he could not believe that the vast range of loans on securities suggested for control represented in all cases advances to borrowers for speculative purposes.

Governor Robertson spoke in favor of being prepared to take action in this area, though carefully, before action was requested by other parties. He was inclined toward a combination of the first and fourth approaches suggested in Mr. Dembitz's memorandum, with a possibility of bringing in the principle of the third approach.

Governor Shepardson expressed the view that it was important for the Board to arrive at understandable and acceptable definitions, thus facilitating enforcement. While there were many securities purchased on a sound investment basis, he felt there was probably more speculation involved in loans made on stocks than in most other types of loans. This factor led him to feel that there was probably justification for tighter control in that area, but he was uncertain as to appropriate regulatory standards. On the basis of simplicity of definition and ease of enforcement, the fourth approach in Mr. Dembitz's memorandum would seem to recommend itself.

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Governor Mitchell indicated that he had reservations about each of the approaches suggested in the Dembitz memorandum. He noted that frequently there was a relationship between lending banks and borrowers in which the type of collateral gave the borrower an opportunity to obtain somewhat more favorable terms. These could be bona fide business transactions, having nothing to do with getting into or out of the stock market, and he felt it would be unfortunate to write a regulation that would interfere with them in any way. Of the alternatives listed in the memorandum, it seemed to him that the second and third alternatives might afford a basis for further exploration; they constituted an attempt to distinguish bona fide business transactions from those that were entered into for speculative purposes. Such an approach would also insure maximum policing from the commercial banking system, since banks would not make loans of this character unless they were satisfied as to the adequacy of the collateral.

This was the general line he would be inclined to pursue, Governor Mitchell said. It would be easy to write a regulation that would apply to almost every bank borrowing, but he would like to limit the applicability of the regulation to transactions through which people get into the stock market by the use of bank credit against stock collateral. Undoubtedly there would be leakage, but some abuses would be stopped. He would not want to see such a regulation extend to normal business relationships between banker and customer.

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Governor Balderston commented that the second alternative approach would appear to have the virtue of trying in this area something that had improved the quality of mortgages greatly. On the other hand, he had some doubt whether the Board ought to espouse the third alternative; it seemed to run counter to the Board's customary pressure for the use of prudence in bank management. Speaking more generally, earlier unfortunate experience in extending the scope of the margin regulations made him rather hesitant to experiment.

Chairman Martin inquired whether the staff of the Securities and Exchange Commission had as yet made any overtures toward discussion of the subject, and Mr. Dembitz replied in the negative. Chairman Martin then commented that it would be interesting to see whether the staff of the Commission had constructive ideas. From his own experience, he was rather skeptical as to whether there was any way to write a regulation that would be helpful. In his opinion, loans on unlisted securities ought to be subject to the same general requirements as loans on listed securities. When it came to writing regulations of a broader nature, however, a full-time job was involved. It would be interesting to see what the Commission staff might have in mind.

The Chairman concluded by saying that he felt the Board's staff should follow the approach of being willing to listen sympathetically to whatever the Commission's staff might have to propose and should be

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as helpful as possible, but that the Board's staff should not initiate anything.

After further discussion, it was understood that the staff would proceed along the lines indicated by the Chairman's comments.

The meeting then adjourned.

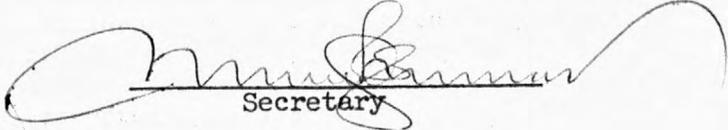
Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Appointment

Barbara M. Clarke as Clearing Assistant, Office of the Secretary, with basic annual salary at the rate of \$4,565, effective the date of entrance upon duty.

Acceptance of resignation

Philip D. Faber, Bindery Helper and Operator (Mimeograph), Division of Administrative Services, effective at the close of business May 24, 1963.

  
Secretary

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

Item No. 1  
4/15/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 15, 1963



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

Dear Mr. Cocke:

Reference is made to your letter of April 1, 1963, concerning the application of Southern Commercial and Savings Bank, St. Louis, Missouri, 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.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 2  
4/15/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 15, 1963



Board of Directors,  
Bank of Jamestown,  
Jamestown, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 184 Fluvanna Avenue, Jamestown, New York, by Bank of Jamestown, provided the branch is established within one year from the date of this letter.

Very truly yours,

Kenneth A. Kenyon,  
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.)

UNITED STATES OF AMERICA

Item No. 3  
4/15/63

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
 In the Matter of the Application of

BANK OF IDAHO

for approval of merger with  
 Panhandle State Bank  
 -----

## ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Bank of Idaho, Boise, Idaho, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Panhandle State Bank, Coeur d'Alene, Idaho, under the charter and title of the former. As an incident to the merger, the sole office of Panhandle State Bank would be operated as a branch of Bank of Idaho. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

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and the Department of Justice on the competitive factors involved in the proposed merger,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated

(a) within seven calendar days after the date of this Order or

(b) later than three months after said date.

Dated at Washington, D. C., this 15th day of April, 1963.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and  
Governors Balderston, Mills, Robertson, Shepardson,  
and Mitchell.

Absent and not voting: Governor King.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 4  
4/15/63

APPLICATION BY BANK OF IDAHO  
FOR PRIOR APPROVAL OF MERGER  
WITH PANHANDLE STATE BANK

STATEMENT

Bank of Idaho, Boise, Idaho ("Idaho Bank"), with deposits of \$63.5 million as of September 28, 1962, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and Panhandle State Bank, Coeur d'Alene, Idaho ("State Bank"), with deposits of \$3.4 million as of the same date, under the charter and title of Idaho Bank. As an incident to the merger, the sole office of State Bank would be operated as a branch of Idaho Bank, thus increasing its offices from 13 to 14.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may

not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial history and condition of Idaho Bank and State Bank are satisfactory. State Bank's capital structure is adequate, and recently Idaho Bank strengthened its capital position by sale of additional capital stock. Idaho Bank's earnings prospects are favorable and its management is satisfactory.

Consummation of the proposal would provide a basis for needed improvement in the earnings of State Bank, and would solve that bank's management succession problem which resulted from the recent resignation of its chief executive officer.

The resulting bank, which would be under the management of Idaho Bank, would have a satisfactory asset condition and favorable earnings prospects, and its capital structure would be adequate in the circumstances to warrant the merger.

There is no indication of any inconsistency with 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - The main office of Idaho Bank and one of its branches are in Boise, the State capital (1960 population 34,500). Two of the bank's branches are in unincorporated areas adjacent to Boise, five of its branches are in southeastern and southwestern Idaho, and its four remaining branches are in communities in the northern part of the State.

Except for a modest increase in the lending limit of Idaho Bank, the proposed merger would have little effect upon the convenience and needs of the communities now being served by that bank.

The sole office of State Bank is the only independent banking facility in Coeur d'Alene (1960 population 14,000). The largest city in northern Idaho, Coeur d'Alene is the seat of Kootenai County (1960 population 30,000), and is about 400 miles north of Boise and 30 miles east of Spokane, Washington. The economic prospects of Kootenai County are favorable. The county provides 15 per cent of the State's lumber production, and, in addition to farming and dairying, resort and tourist trade in the county are increasing importantly.

There are located in Coeur d'Alene branches of the two largest banks in Idaho, as well as State Bank. Effectuation of the transaction, however, would increase substantially the loan limit applicable at State Bank and would be expected to make available to the customers of State Bank, under progressive management, a more complete range of services than those previously available at that banking office, such as trust services, FHA and GI mortgage loans, and a number of specialized services. This would accommodate the needs and convenience of those customers, in particular, and provide to the area generally an additional source of full banking services.

Competition. - Idaho Bank is the only subsidiary in Idaho of Western Bancorporation, a registered bank holding company with 24 subsidiary banks in 11 western States holding aggregate deposits of \$5,312 million. Although Idaho Bank is the third largest bank in Idaho, it is far smaller than the two larger banks in the State, Idaho First National Bank, Boise, and First Security Bank of Idaho, N. A., Boise. These two

banks hold about 66 per cent of the commercial bank deposits in Idaho. Consummation of the proposed merger would increase Idaho Bank's shares of such deposits from 9.4 per cent to 9.8 per cent.

The proposal would have virtually no effect upon competition in any area now served by Idaho Bank except in Kootenai County, and the effect there should not be adverse.

The only office of Idaho Bank nearer than 50 miles to State Bank is the former's branch at Post Falls (1960 population 2,000), seven miles from Coeur d'Alene in Kootenai County, which comprises State Bank's service area (that area from which the bank derives 75 per cent or more of its deposits of individuals, partnerships, and corporations). Only negligible competition exists between State Bank and the Post Falls branch, which is quite small and the business of which is limited primarily to residents of Post Falls (deposits \$300,000).

Of the total deposits of the four banks with offices in Kootenai County, State Bank has about 17 per cent and Idaho Bank has about 2 per cent. The remainder is held by the branches in Coeur d'Alene of the two largest Idaho banks.

Summary and conclusion. - Effectuation of the proposed merger would enhance the earnings prospects of State Bank and solve its management succession problem. While the banking needs of the Coeur d'Alene area are apparently being adequately met, the resulting bank would provide

customers of State Bank with certain banking services not now available there. Competition between the two participating banks is not of significant magnitude; and the over-all effect upon banking competition in the area should not be adverse.

Accordingly, the Board finds the proposed transaction to be in the public interest.

April 15, 1963.

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

Item No. 5  
4/15/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 15, 1963.



AIR MAIL - REGISTERED  
RETURN RECEIPT REQUESTED

Bank of Idaho,  
8th and Idaho Streets,  
Boise, Idaho.

Gentlemen:

The Board of Governors has approved the application, under the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior consent to the merger of Panhandle State Bank, Coeur d'Alene, Idaho, into Bank of Idaho, Boise, Idaho.

Enclosed are the Board's Order of this date, the accompanying Statement, and the press release on this action.

While the recent addition of new funds by Bank of Idaho has improved somewhat that bank's capital position, continued careful attention to its capital needs is required. It is the responsibility of the directors to provide capital commensurate with a bank's growth and risk. The Board trusts that you will review Bank of Idaho's capital position from time to time so that the bank's ability to serve its customers and service area will not be jeopardized by lack of an adequate capital structure.

Very truly yours,

(Signed) Merritt Sherman,

Merritt Sherman,  
Secretary.

Enclosures.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

1238  
Item No. 6  
4/15/63

OFFICE OF THE CHAIRMAN

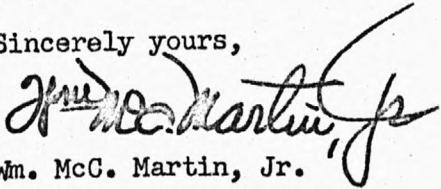
April 15, 1963

The Honorable Kermit Gordon, Director,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Gordon:

Submitted herewith are the comments of the Board of Governors of the Federal Reserve System, prepared in response to and in conformity with Bulletin No. 63-10 of the Bureau of the Budget, concerning the recommendations of the Administrative Conference of the United States in its report of December 15, 1962 to the President.

Sincerely yours,

  
Wm. McC. Martin, Jr.

Enclosure

Board of Governors of the  
Federal Reserve System

Response to Bulletin No. 63-10

Part I. Views

<u>Rec. No.</u>	<u>Code</u>	<u>Comments and Other Information</u>
2	App.	
7	NA	
8	App.	
9	NA	
10-1	App.	
10-2	App.	
12	NA	
13		Except for investigatory proceedings under section 25 of the Federal Reserve Act, the Board does not have subpoena power, and since there have been no proceedings under the said section 25 in the Board's 50-year history, it is not believed that it would be meaningful for the Board to take a position on this recommendation.
15	App.	
16	ENC	This recommendation is being considered by the Board's Legal Division, and evaluation should be completed about May 1, 1963.
19	NA	
24-1	App.	
24-2	AIP	See comment in column 3, Part II.
25-1	App.	
25-2	AIP	See comment in column 3, Part II.

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Board of Governors of the  
Federal Reserve System

Response to Bulletin No. 63-10

<u>Rec. No.</u>	<u>Code</u>	<u>Comments and Other Information</u>
26	App.	
27	App.	
28-1	App.	
28-2 thru 28-5	NA	
28-6a, c-e	NA	
28-6b	AIP	The Board is in accord with the principle of published materials concerning decisions, and publishes the full text of orders and accompanying statements in proceedings which are not required by statute to be confidential in the monthly <u>Federal Reserve Bulletin</u> . These materials are indexed both in the monthly <u>Bulletin</u> in which they appear and in the annual cumulative index published in each December issue of the <u>Bulletin</u> . So far as concerns a digest of decisions, however, it is not believed that the type of economic "investigation" which forms the bulk of the Board's administrative proceedings is such as to lend itself readily to digesting, nor is it believed that a digest, if compiled, would be of sufficient general utility to merit its publication.
28-7	App.	
28-8 thru 28-14		Employees of the Board are not within the classified civil service, and therefore the Board does not feel it appropriate to comment upon these recommendations.
29	NA	
30	AIP	The Board favors the principle of making pertinent facts available to parties in advance of proceedings to the fullest extent practicable. However, with respect to the type of proceedings conducted by the

Board of Governors of the  
Federal Reserve System

Response to Bulletin No. 63-10

<u>Rec. No.</u>	<u>Code</u>	<u>Comments and Other Information</u>
30	AIP	<p>Board in aid of its supervisory responsibilities in the field of banking, it is not believed that formal rules for discovery would be in the public interest, because of the highly confidential nature of much of the banking information in the possession of the Board or of parties to proceedings before it. In disciplinary proceedings, the "parties" involved are the Board and the person or bank which is the subject of the action. Discovery procedures available to the latter would be of little value, since the facts on which the action is predicated are generally better known to them than to the Board. The Board might well benefit from the availability of discovery procedures in such actions, but it is significant to note that (with one unimportant exception) the Congress has not seen fit to grant the Board subpoena power, and even if the Board were to promulgate a rule governing discovery which the Board itself could point to in support of demands for disclosure, it is doubtful that it would be held valid, not to mention the problem of enforcement even if such rule were valid per se. In "investigatory" proceedings under the Bank Holding Company Act and the Bank Merger Act, where adversary parties occasionally participate, the Board requires certain basic information to be disclosed in any application submitted, and following publication of notice of a public proceeding in connection therewith in the <u>Federal Register</u> the application is made available for <u>public inspection</u>, except for portions accorded confidential treatment for good cause shown. Also, certain other information is made available to parties through the vehicle of its introduction into evidence at the hearing. It is believed that these provisions for disclosure of information, albeit limited, are sufficient in the overwhelming majority of cases, and that to promulgate rules for discovery to cover the unusual case where a party might desire further information would not be in the public interest because of the highly sensitive and confidential nature of banking information generally. In sum, therefore, it is the belief of the Board that it would not be in the public interest to extend its present practices regarding availability of information to parties by promulgation of rules for discovery.</p>

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Part II. Status of Action

<u>Rec. No.</u>	<u>Code</u>	<u>Comments and Other Information</u>
2	OAA	
8	AAC	
10-1	OAA	
10-2	AAC	
13		See comment in column 3, Part I.
15	AAC	
24-1	AAC	
24-2	LR	The Board is of the opinion that legislation of the type proposed should, in view of its general applicability, more properly originate from the Office of Administrative Procedure, and that no useful purpose would be served by agencies which are now complying with the recommendation in question initiating such a legislative proposal.
25-1	AAC	
25-2	LR	See comment above regarding recommendation 24-2.
26-1,2	AAC	
26-3		The Board does not believe it necessary to implement the practice suggested in recommendations 26-1 and 26-2 by specific rule, since it follows such a procedure as a matter of course.
27	OAA	
28-1a	AAC	

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<u>Rec. No.</u>	<u>Code</u>	<u>Comments and Other Information</u>
28-1b	AAC	
28-1c	OAA	
28-1d	OAA	
28-1e	OAA	
28-6b		See comment in column 3, Part I.
28-7	OAA	
28-8 thru 28-14		See comment in column 3, Part I.
30	AAC	