

Minutes for June 7, 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 a meeting of the available members of the Board of Governors of the Federal Reserve System on Friday, June 7, 1963. The meeting was held in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Solomon, Associate Adviser, Division of
Research and Statistics
Mr. Hersey, Adviser, Division of International
Finance
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Yager, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Axilrod, Senior Economist, Division of
Research and Statistics
Miss Dingle, Senior Economist, Division of
Research and Statistics
Mr. Keir, Senior Economist, Division of
Research and Statistics
Mr. Wyand, Economist, Division of Research
and Statistics
Mr. Goldstein, Economist, Division of
International Finance

Money market review. Mr. Yager reported on developments in the Government securities market, including announced and prospective Treasury financing operations, following which Mr. Axilrod discussed bank reserves, bank credit, the money supply, and related matters. Mr. Goldstein commented on foreign exchange developments.

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All of the members of the staff except Messrs. Sherman and Kenyon then withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Hooff, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Doyle, Attorney, Legal Division

The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on June 6, 1963, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

| | <u>Item No.</u> |
|--|-----------------|
| Letter to Boston Overseas Financial Corporation, Boston Massachusetts, granting an extension of time to purchase shares of International Factors A. G., a new Swiss holding company. | 1 |
| Letter to the Federal Reserve Bank of Boston regarding whether a note held by a member bank, participations in which have been issued by such bank to correspondent banks, would be eligible for rediscount by, or as security for an advance to, the member bank. | 2 |

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| | <u>Item No.</u> |
|---|-----------------|
| Letter to the Federal Reserve Bank of Boston regarding whether banks may pay a finder's fee for moneys referred to them by a third party for certificates of deposit. | 3 |
| Letter to The Sterling State Bank, Mount Sterling, Ohio, approving the declaration of a dividend payable June 30, 1963. | 4 |
| Letter to the Federal Reserve Bank of Minneapolis regarding whether a funeral home may deposit in a savings account moneys deposited with the home by various individuals to cover the cost of future funeral services. | 5 |
| Letter to the Federal Reserve Bank of Kansas City approving the appointment of Joseph M. Pope as Alternate Assistant Federal Reserve Agent. | 6 |
| Letter to Long Island Trust Company, Garden City, New York, approving the establishment of a branch at Jericho Turnpike and Woodland Gate, Town of Oyster Bay, and urging study of the bank's capital position. | 7 |
| Letter to Manufacturers and Traders Trust Company, Buffalo, New York, approving the operation of a temporary branch at 762 Main Street pending resumption of full operations at 715 Main Street. | 8 |
| Letter to Citizens Commercial & Savings Bank, Flint, Michigan, approving the establishment of a branch in Flint Township. | 9 |
| Letter to Seattle Trust and Savings Bank, Seattle, Washington, approving an investment in bank premises. | 10 |

Report on competitive factors (Columbia-Denmark, South Carolina).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Edisto Bank, Denmark, South Carolina, into The First National Bank of South Carolina of Columbia, Columbia, South Carolina.

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After discussion the report, in which the conclusion read as follows, was approved unanimously for transmittal to the Comptroller:

The nearest offices of The First National Bank of South Carolina of Columbia and The Edisto Bank are 50 miles apart and they are not directly competitive. Consummation of the proposed merger would not significantly alter First National's competitive capabilities in the areas in which it currently operates, nor alter its position in relation to other banks in the State. While the other banks in the Edisto Bank's service area would be confronted with the competitive capabilities of a much larger bank, it is not believed that they would suffer significant adverse effects because of the localized nature of their operations and the distances by which they are separated from the merging bank.

All of the members of the staff who were present except Mr. Sherman then withdrew from the meeting, and Messrs. Young and Noyes returned to the room.

Travel by Mr. Hersey. Pursuant to the request in a memorandum from Mr. Young dated June 7, 1963, Mr. Hersey, Adviser, Division of International Finance, was authorized to attend the meeting in Paris of the Economic Policy Committee of the Organization for Economic Cooperation and Development on July 10 and 11, 1963, and the meeting of Working Party 3 that might be scheduled for July 12. In connection with this trip, Mr. Hersey also was authorized to visit the German Federal Bank and the Bank of Italy for two or three days each.

The meeting then adjourned.

Secretary's Notes: The requirements contemplated by the Board's action on May 1, 1963, in approving the issuance of a preliminary permit to Mellon International Finance Corporation, Pittsburgh, Pennsylvania, having been completed, a letter was sent to that corporation on June 5, 1963, transmitting a final permit to commence business.

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Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston, acting in the absence of Governor Shepardson, approved on behalf of the Board on June 5, 1963, the following actions relating to the Board's staff:

Appointments

Diane Quick as Secretary, Office of the Secretary, with basic annual salary at the rate of \$5,045, effective the date of entrance upon duty.

Daniel Edward Lucas as Analyst, Division of Bank Operations, with basic annual salary at the rate of \$5,910, effective the date of entrance upon duty.

Jo Ann Corrado as Clerk-Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$4,110, effective the date of entrance upon duty.

Salary increases

Margaret C. Caldow, from \$5,685 to \$6,055 per annum, with a change in title from Secretary to Assistant Supervisor, Stenographic Section, Office of the Secretary, effective June 30, 1963.

Claudia Ann Mahoney, Secretary, Division of Research and Statistics, from \$5,045 to \$5,375 per annum, effective July 7, 1963.

Acceptance of resignation

Sam M. VanHook, Guard, Division of Administrative Services, effective at the close of business June 7, 1963.

Acting in the absence of Governor Shepardson, Governor Balderston noted on behalf of the Board on June 5, 1963, a memorandum advising that application for retirement on disability had been filed by Ann Marie Peters, Statistical Assistant, Division of Research and Statistics, effective June 15, 1963. In noting this retirement, Governor Balderston approved on behalf of the Board an advance of sick leave for Mrs. Peters until the retirement date indicated.

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Acting in the absence of Governor Shepardson, Governor Balderston approved on behalf of the Board on June 6, 1963, a letter to the Federal Reserve Bank of Chicago (attached Item No. 11) approving the appointment of Charles A. Roloff, Jr., as assistant examiner.

Acting in the absence of Governor Shepardson, Governor Balderston today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Richmond (attached Item No. 12) approving the appointment of Arthur J. Zohab, Jr., as assistant examiner.

Letter to the Federal Reserve Bank of Dallas (attached Item No. 13) approving the appointment of Duane B. Cretsinger as assistant examiner.

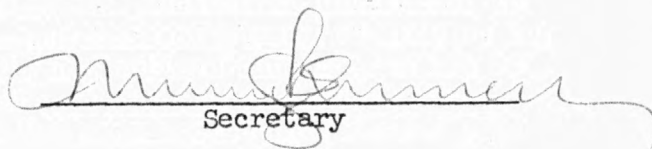
Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Salary increase

Alex J. Harris, Jr., Assistant Review Examiner, Division of Examinations, from \$7,350 to \$8,045 per annum, effective June 9, 1963.

Outside activity

Norma L. Neitzey, Secretary, Legal Division, to do part-time stenographic work for Alderson Reporting Co., Washington, D.C.


Secretary

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

Item No. 1
6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Boston Overseas Financial Corporation,
67 Milk Street,
Boston 6, Massachusetts.

Gentlemen:

This will acknowledge your letter of May 17, 1963, transmitted through the Federal Reserve Bank of Boston, referring to the Board's letter of July 23, 1962, which among other things, granted consent for Boston Overseas Financial Corporation to-

"(2) Purchase and hold stock of International Factors A. G. ('IFAG'), a new Swiss holding company to be incorporated in the Canton of Zug in Switzerland, which will hold stock in various factoring companies, at a cost not to exceed US\$250,000;"

subject to certain conditions and provided the shares were acquired within one year.

It is noted that you have purchased 141 shares of IFAG at a cost of \$32,648.55; that you propose to make additional investment in IFAG which will ultimately bring your purchase of shares of IFAG up to, or close to, \$250,000; but that you do not believe the program can be completed by July 23. In the circumstances, you have requested a six month extension of the time within which to exercise the consent previously granted.

In accordance with your request and on the basis of the information furnished, the time within which the shares of IFAG may be acquired is hereby extended to January 23, 1964.

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
6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Mr. O. A. Schlaikjer, Vice President
and General Counsel,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Schlaikjer:

This refers to your letter of November 21, 1962, and earlier correspondence, regarding the question whether a note held by a member bank, participations in which have been issued by such bank to correspondent banks, would be eligible under section 13 for rediscount by, or as security for an advance to, the member bank.

While an equitable interest in a note, represented by a participation certificate, is not eligible for rediscount (1917 Federal Reserve Bulletin 949), a note as to which participations have been issued is eligible for rediscount by the member bank holding the note or as security for an advance to such bank, if the note otherwise complies with the requirements of section 13 and of Regulation A. One of the requirements prescribed by the Regulation is that the paper offered for discount or as security for an advance must be negotiable; and the note in question would not, of course, meet this requirement if under applicable law the negotiability of the note would be impaired by the fact that other banks held participations in the note.

Even if such a note is eligible for rediscount, a Federal Reserve Bank obviously should not accept it for rediscount or as security for an advance unless the Reserve Bank's Counsel is satisfied that, in the event of default by the member bank, the Reserve Bank would have the rights of a holder in due course and would not be precluded from enforcement of and realization upon the note to the full extent of the Reserve Bank's interest therein.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
6/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963



Mr. Luther M. Hoyle, Jr., Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Hoyle:

This refers to your letter of May 10, 1963, enclosing a letter from The B. C. Morton Organization, Inc., Boston, Massachusetts, requesting advice as to whether a bank may pay a finder's fee for moneys referred to them by a third party for certificates of deposit.

As to national banks, the inquirer should be referred to the Office of the Comptroller of the Currency; as to State chartered banks, the inquiry should be directed to the appropriate State banking authority.

There appears to be no statute, administered by the Federal Reserve, that deals with this question. However, the payment of such fees under certain circumstances might be considered an unsafe or unsound practice and, accordingly, subject the bank to criticism and appropriate disciplinary action. Of course, if part of the finder's fee is passed on to the depositor, that portion will have to be treated as interest and taken into consideration in determining whether excessive interest is being paid on the deposit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Board of Directors,
The Sterling State Bank,
Mount Sterling, Ohio.

Gentlemen:

The Board of Governors has received from the Federal Reserve Bank of Cleveland copies of President R. G. Webber's letters dated May 14 and 22, 1963, in which he requests permission for the declaration of a dividend by The Sterling State Bank of \$2,400, payable June 30, 1963. The Board's permission for the declaration of this dividend is required by the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

After consideration of the facts, the Board approves the declaration of a dividend of \$2,400 payable June 30, 1963. This letter does not authorize the declaration of any other dividend in 1963 or later.

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. 5
6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Mr. M. H. Strothman, Jr.,
Vice President and General Counsel,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Strothman:

This refers to your letter of May 20, 1963, enclosing a letter from First National Bank in Worthington, Minnesota, presenting the question whether a funeral home may deposit in a savings account moneys deposited with the home by various individuals to cover the cost of future funeral services.

It is stated that these funds are kept in a separate account, apparently not commingled with the funds of the funeral home, and there will be no withdrawals except at the death of a client when such funds will be withdrawn and used toward funeral services for that person. It is assumed that any part of the deposit in excess of the cost of services rendered will become part of the deceased's estate and not benefit the funeral home.

Upon these conditions, it seems clear that the funds would qualify as a savings deposit under section 217.1(e)(1)(i) of Regulation Q as they consist of funds "in which the entire beneficial interest is held by one or more individuals".

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Mr. Homer A. Scott, Chairman,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Scott:

In accordance with the request contained in Mr. Mathews' letter of May 23, 1963, the Board of Governors approves the appointment of Mr. Joseph M. Pope as Alternate Assistant Federal Reserve Agent to fill the vacancy on your staff resulting from the death of Mr. Self.

This approval is given with the understanding that Mr. Pope will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent, Mr. Pope may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Pope is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Pope execute the usual Oath of Office which should be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Board of Directors,
Long Island Trust Company,
Garden City, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at the southeast corner of Jericho Turnpike and Woodland Gate (Unincorporated Area), Town of Oyster Bay, Nassau County, New York, by Long Island Trust Company, provided the branch is established within one year from the date of this letter.

At the time of the July 27, 1962, examination the capital structure of Long Island Trust Company was below desirable levels, and the March 18, 1963, Report of Condition indicated further deterioration in the bank's capital position. The Board urges the directors of the bank to study carefully the bank's capital position in relation to its responsibilities and risks. An adequate capital structure is important if the Long Island Trust Company is to grow so that it may better serve this expanding community.

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. 8
6/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963

Board of Directors,
Manufacturers and Traders Trust Company,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the operation of a temporary branch at 762 Main Street, Buffalo, New York, by Manufacturers and Traders Trust Company until such time as full operations at 715 Main Street may be resumed.

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. 9
June 7, 1963

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963



Board of Directors,
Citizens Commercial & Savings Bank,
Flint, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Citizens Commercial & Savings Bank, Flint, Michigan, of a branch at G-3023 Miller Road, Flint Township, Genesee County, Michigan, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1963 (S-1846), should be followed.)

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

Item No. 10
6/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963.



Board of Directors,
Seattle Trust and Savings Bank,
Seattle, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of \$435,000 in bank premises by Seattle Trust and Savings Bank, Seattle, Washington, for the purpose of purchasing property adjoining the head office building.

The proposed investment will increase the need for capital funds, and the Board is therefore pleased to note that the bank plans to provide additional capital funds during the latter part of 1963.

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. 11
6/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 7, 1963



AIR MAIL

CONFIDENTIAL (FR)

Mr. Leland Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of June 3, 1963, the Board approves the appointment of Charles A. Roloff, Jr. as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Roloff owns four shares of common stock of The District National Bank of Chicago, Chicago, Illinois. Accordingly, the Board's approval of the appointment of Mr. Roloff is given with the understanding that he will not participate in any examination of The District National Bank of Chicago so long as he owns stock in that bank.

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. 12
6/7/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 10, 1963

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of June 5, 1963, the Board approves the appointment of Arthur J. Zohab, Jr. as an assistant examiner for the Federal Reserve Bank of Richmond.

It is noted that Mr. Zohab is indebted to Virginia Trust Company, Richmond, Virginia, a nonmember bank. Accordingly, the Board's approval of the appointment of Mr. Zohab is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

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. 13

6/7/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 10, 1963

AIR MAILCONFIDENTIAL (FR)

Mr. Thomas R. Sullivan, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Sullivan:

In accordance with the request contained in your letter of June 4, 1963, the Board approves the appointment of Duane B. Cretsinger as an assistant examiner for the Federal Reserve Bank of Dallas.

It is noted that Mr. Cretsinger is indebted to The Graham National Bank, Graham, Texas. Accordingly, the Board's approval of the appointment of Mr. Cretsinger is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.