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Minutes for June 21, 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

M

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Friday, June 21, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Katz, Associate Adviser, Division of International Finance
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
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. Goldstein, Economist, Division of International Finance

Money market review. There were distributed tables on possible Treasury debt operations and changes in the Treasury balance from mid-June to the end of 1963, and on monetary developments during the five-week period ending June 19, 1963.

Mr. Keir discussed the tentative Treasury cash outlook, after which Mr. Axilrod reported on bank reserves, bank credit, and the

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money supply and Mr. Goldstein commented on recent foreign exchange market developments.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Fauver, and Mattras and the following entered the room:

- Mr. Farrell, Director, Division of Bank Operations
- Mr. Hexter, Assistant General Counsel
- Mr. Shay, Assistant General Counsel
- Mr. Daniels, Assistant Director, Division of Bank Operations
- Mr. Goodman, Assistant Director, Division of Examinations
- Mr. Benner, Assistant Director, Division of Examinations
- Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, Kansas City, and San Francisco on June 20, 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 Chemical Bank New York Trust Company, New York, New York, approving the establishment of a branch at 360 East 72nd Street, Borough of Manhattan. | 1 |
| Letter to Bankers Trust Company, New York, New York, approving the establishment of a branch in the Bruckner Plaza Shopping Center, Borough of the Bronx. | 2 |

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	<u>Item No.</u>
Letter to The Patchogue Bank, Patchogue, New York, approving the establishment of a branch at Islip Terrace, Town of Islip, subject to an increase in capital to meet Federal statutory requirements.	3
Letter to Southern Arizona Bank and Trust Company, Tucson, Arizona, approving the establishment of a branch in the vicinity of East Broadway and Sarnoff Drive.	4
Letter to the Federal Reserve Bank of St. Louis with respect to the acquisition by Mercantile Trust Company, St. Louis, Missouri, of capital stock of Ozark Plaza Motor Hotel, Inc.	5
Letter to Bankers International Financing Company, Inc., New York, New York, extending from June 30, 1963, until further notice the termination date of the outstanding general consent for that company to purchase and hold stock in generally designated types of corporations. (With similar letters to Chase International Investment Corporation, Chemical International Finance, Ltd., and Morgan Guaranty International Finance Corporation, all of New York, New York; and First Pennsylvania Overseas Finance Corporation, Philadelphia International Investment Corporation, and The Company for Investing Abroad, all of Philadelphia, Pennsylvania.)	6
Letter to Irving International Financing Corporation, New York, New York, granting permission to purchase stock of LUSOFINA-Sociedade de Estudos Financeiros, SARL, Lisbon, Portugal.	7
Letter to Morgan Guaranty International Banking Corporation, New York, New York, granting permission to purchase additional stock of Credito Bursatil S. A., Mexico, D. F., Mexico.	8
Letter to the Federal Reserve Bank of Kansas City regarding the classification of member banks in the Tenth District for the purpose of electing Class A and Class B directors.	9

Report on competitive factors (Oil City-Sharon, Pennsylvania).

There had been distributed a draft of report to the Federal Deposit

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Insurance Corporation on the competitive factors involved in the proposal of the First Seneca Bank and Trust Company, Oil City, Pennsylvania, to acquire the assets of and assume liability to pay deposits made in the First National Bank in Sharon, Sharon, Pennsylvania.

After discussion, the report was approved unanimously for transmission to the Corporation with the understanding that the conclusion would read as follows:

There appears to be little competition existing between First Seneca Bank and Trust Company and First National Bank in Sharon. Banks presently competing with First National Bank in Sharon would, upon entrance of First Seneca Bank and Trust Company into Sharon, be exposed to the competitive capabilities of a much larger bank, the deposits of which would be increased from about \$64 million to \$80 million. Competition in this area seems likely to be intensified.

All members of the staff then withdrew except Mr. Sherman.

Loan of services of Mr. Solomon. As recommended in a memorandum from Mr. Noyes dated June 20, 1963, the Board approved a request from the Council of Economic Advisers that Robert Solomon, Associate Adviser, Division of Research and Statistics, be made available to the Council to serve as a senior economist for a period of one year beginning about August 1, 1963. The Board authorized its staff to work out the details for the loan of Mr. Solomon's services on a fully reimbursable basis.

Reception in connection with visit of House Committee. Chairman Martin noted that arrangements for the forthcoming visit to the Federal Reserve Bank of New York by members of the House Banking and Currency

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Committee included a reception to which representatives of the New York City commercial banks would be invited. In discussion it was brought out that the inclusion of this feature in the program reflected a desire that had been expressed for the Committee members to have an opportunity to meet representatives of the commercial banking fraternity, and it was understood that Chairman Martin would inform President Hayes that the Board would not object to the payment of the cost of the reception by the Reserve Bank, as authorized by the Bank's Board of Directors.

The meeting then adjourned.

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

Salary increases, effective June 23, 1963

Annie I. Cotten, Secretary, Board Members' Offices, from \$7,525 to \$7,730 per annum.

David S. Staiger, Economist, Division of Research and Statistics, from \$12,845 to \$13,270 per annum.

Florence S. Doane, Clerk, Division of International Finance, from \$4,250 to \$4,390 per annum.

Elmer W. Lyster, Federal Reserve Examiner, Division of Examinations, from \$10,105 to \$10,420 per annum.

Jerry B. Riley, Federal Reserve Examiner, Division of Examinations, from \$9,475 to \$9,790 per annum.

John A. Treimann, from \$8,840 to \$9,105 per annum, with a change in title from Assistant Federal Reserve Examiner to Federal Reserve Examiner, Division of Examinations.

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Acceptance of resignation

Robert B. Bretzfelder, Economist, Division of Research and Statistics, effective at the close of business June 21, 1963.


Secretary

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

Item No. 1
6/21/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 21, 1963

Board of Directors,
Chemical Bank New York Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Chemical Bank New York Trust Company, New York, New York, of a branch at 360 East 72nd Street, Borough of Manhattan, New York, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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Item No. 2
6/21/63

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963

Board of Directors,
Bankers Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bankers Trust Company, New York, New York, of a branch in the Bruckner Plaza Shopping Center, southeast corner of Bruckner Boulevard and White Plains Road, Borough of the Bronx, New York, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

Item No. 3
6/21/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963

Board of Directors,
The Patchogue Bank,
Patchogue, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Patchogue Bank, Patchogue, New York, at 2945 Sunrise Highway, Islip Terrace (unincorporated area), Town of Islip, Suffolk County, New York, provided the branch is established within six months from the date of this letter. Approval of this branch is granted subject to an increase in capital stock by The Patchogue Bank, Patchogue, New York, to an amount equal to not less than \$300,000 par value to meet Federal statutory requirements.

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. 4
6/21/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 21, 1963

Board of Directors,
Southern Arizona Bank and
Trust Company,
Tucson, Arizona.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Southern Arizona Bank and Trust Company, Tucson, Arizona, of a branch in the vicinity of the intersection of East Broadway and Sarnoff Drive, 1-1/2 miles east of the city limits of Tucson, Arizona, provided the branch is established by May 13, 1964.

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.)

Item No. 5
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963



AIR MAIL

Mr. Orville O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Wyrick:

This refers to your letter of May 31, 1963, submitting for Board consideration the acquisition by Mercantile Trust Company, St. Louis, Missouri, of the capital stock of Ozark Plaza Motor Hotel, Inc., organized by the bank to operate a motel acquired by the bank through foreclosure proceedings.

Section 5136 of the Revised Statutes (12 U.S.C. 24), and section 9 of the Federal Reserve Act (12 U.S.C. 335), in effect prohibit a member bank from "purchasing", for its own account, shares of stock of any corporation except as provided in section 5136 or "otherwise permitted by law". However, the Board does not consider this prohibition as preventing a member bank from acquiring corporate stock through foreclosure proceedings, although such stock should not be retained indefinitely. In view of this position, the Board does not regard the acquisition of stock of the motor hotel company (as part of "salvage operations") as a prohibited purchase of corporate stock, provided the company is liquidated or the stock eliminated from the bank's assets when salvage operations are completed. This conclusion is, of course, limited to the facts of this particular case and is not intended to imply that the acquisition of corporate stock in this manner is always permissible as part of salvage operations.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963



Bankers International Financing Company, Inc.,
16 Wall Street,
New York 15, New York.

Gentlemen:

Reference is made to the Board's letter of May 3, 1962, granting consent to Bankers International Financing Company, Inc. to purchase and hold stock in generally designated types of corporations, subject to the conditions therein contained.

By the terms of the general consent, as extended, this authorization is applicable only to investments made on or before June 30, 1963.

In view of the Board's consideration of the proposed revision of Regulation K, the termination date contained in the Board's letter of May 3, 1962, as extended, is hereby further extended without specific date until further notice.

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. 7
6/21/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963

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

Gentlemen:

In accordance with the request contained in your letter of June 5, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for Irving International Financing Corporation to purchase and hold 180 shares, par value Escudos 1000 each, of LUSOFINA - Sociedade de Estudos Financeiros, SARL, Lisbon, Portugal, at a cost of approximately US\$6300 (equivalent) provided such stock is acquired within one year from the date of this letter.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963



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

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of June 12, 1963, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent for Morgan Guaranty International Banking Corporation to purchase and hold 6,000 additional shares, par value Mexican Pesos 100 each, of the capital stock of Credito Bursatil S. A., Mexico, D. F., Mexico, at a cost of approximately US\$72,000, provided such stock is acquired within one year from the date of this letter.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 9
6/21/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1963

Mr. George H. Clay, President,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Clay:

As recommended in your letter of April 17, 1963, the Board has changed the classification of member banks in the Tenth District, for the purpose of electing Class A and Class B Directors, to the following:

<u>Group</u>	<u>Banks with Capital and Surplus of:</u>
1	Over \$1,000,000
2	Over \$300,000 through \$1,000,000
3	\$300,000 and under

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.