

Minutes for July 8, 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>(w)</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>✓</u>
Gov. Mitchell	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Monday, July 8, 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. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Mattras, General Assistant, Office of the Secretary

Messrs. Noyes, Koch, Garfield, Holland, Williams, Dembitz, Altmann, Bernard, Eckert, Fisher, Swindler, Trueblood, Wernick, and Yager, and Miss Stockwell of the Division of Research and Statistics

Messrs. Furth, Sammons, Katz, Gekker, Goldstein, Irvine, Mills, Nettles, and Swerling of the Division of International Finance

Economic review and money market report. The Division of International Finance presented a review of international financial developments, with special reference to their relationship to the U. S. balance of payments, after which the Division of Research and Statistics reviewed domestic economic and money market developments.

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

Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration

7/8/63

-2-

Mr. Hexter, Assistant General Counsel
 Mr. Conkling, Assistant Director, Division of Bank
 Operations
 Mr. Goodman, 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 Philadelphia, Chicago, Kansas City, and San Francisco on July 3, 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 New Jersey Bank and Trust Company, Clifton, New Jersey, approving an extension of time to comply with membership condition numbered 3.	1
Letter to Morgan Guaranty International Banking Corporation, New York, New York, granting permission to purchase stock of Union Senegalaise de Banque pour le Commerce et l'Industrie, Dakar, Republic of Senegal.	2
Letters to Manufacturers Hanover International Finance Corporation, New York, New York, granting permission (a) to purchase stock of Malayan Industrial Development Finance Limited, Kuala Lumpur, Federation of Malaya; and (b) to purchase stock of The Industrial Finance Corporation of Thailand, Bangkok, Thailand.	3-4

7/8/63

-3-

	<u>Item No.</u>
Letter to the Federal Reserve Bank of San Francisco approving a revision in certain lower grades of the employee salary structures for the Portland and Salt Lake City Branches.	5
Letter to Chairman McClellan of the Senate Committee on Government Operations reporting on S. 1680, a bill to establish an Office of Consumers within the Federal Government.	6
Letter to the Bureau of the Budget relating to a report by General Services Administration on hours of duty of Federal employees in Washington.	7
<p style="text-align: center;"><u>Report on competitive factors (Burlington-Essex Junction, Vermont).</u> There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Essex Trust Company, Essex Junction, Vermont, into The Howard National Bank and Trust Company of Burlington, Burlington, Vermont.</p> <p>After discussion, during which reference was made to the possible effects of the proposed merger on other area banks, particularly a smaller national bank in Burlington that had received permission to establish a branch in Essex Junction, the report was <u>approved</u> unanimously for transmission to the Comptroller with the understanding that the conclusion would be revised slightly to read as follows:</p> <p style="padding-left: 40px;">Essex Trust's service area is located entirely within the primary service area of Howard National and, while the application does not indicate the extent of competition between them, it would appear that the two banks are competitors. However, because of Essex Trust's relatively</p>	

7/8/63

-4-

small size, its narrower range of banking services, and its close relationship with Howard National, any substantial degree of competition appears precluded.

The transaction would not add substantially to the resulting bank's present resources, and should not seriously affect the competitive ability of other area banks.

Report on competitive factors (Louisville, Kentucky). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Royal Bank and Trust Company, Louisville, Kentucky, into Bank of Louisville, Louisville, Kentucky.

After discussion of the competitive situation in the area, the report was approved for transmission to the Corporation; the conclusion read as follows:

Consummation of the proposed merger of Bank of Louisville and Royal Bank and Trust Company would eliminate the competition existing between the two institutions. However, the proposal would unite two of the smaller Louisville banks and place them in a position to compete more effectively with the area's larger banks and would broaden their scope of operation from industrial banking to the commercial banking field.

Governor Robertson stated that he would have preferred to say in the conclusion that the proposed merger would eliminate the competition existing between the two banks, which were engaged primarily in the industrial loan business, and would eliminate one of the competing sources of such credit. The principal purpose of the merger apparently was to allow a broadening of operations from industrial banking to commercial banking, but competition between the two banks would be eliminated and he found nothing in the record to indicate a public need for additional commercial banks in the area.

7/8/63

-5-

Report on competitive factors (Trenton, Illinois). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of assets of and assumption of liability to pay deposits in Farmers Bank of Trenton, Trenton, Illinois, by Community Bank of Trenton, Trenton, Illinois.

The report was approved unanimously for transmission to the Corporation; the conclusion read as follows:

The proposed acquisition of assets and assumption of liabilities of Farmers Bank of Trenton by Community Bank of Trenton, both of Trenton, Illinois, would substitute a newly organized, locally owned institution for an existing bank with absentee ownership, which would enhance the competitive position of the resulting bank.

Mr. Schwartz, Director, Division of Data Processing, and Mr. Holland, Adviser, Division of Research and Statistics, entered the room at this point.

Proposed survey. There had been distributed copies of a letter and draft questionnaires received from Chairman Patman of the House Banking and Currency Committee under date of July 3, 1963, regarding a proposed survey of insured commercial banks with respect to (a) compensation and succession of bank management, (b) correspondent banking, and (c) interest rates. The letter requested suggestions on the form and content of the questionnaires and inquired whether the Board would be willing to handle their collection and tabulation.

7/8/63

-6-

In discussion it was brought out that no action on the part of the Board was called for at this time. The item had been included on today's agenda to assure that the members of the Board were informed as to developments in connection with the matter, namely, that the letter from Chairman Patman and enclosed draft questionnaires had been received on July 3, 1963, following some discussion on the previous day between representatives of the Banking and Currency Committee and the Board's staff, that the draft questionnaires had been sent to the Reserve Banks for comment on the same day, with advice to Chairman Patman by letter from Chairman Martin on July 5 that this procedure was being followed, and that the Reserve Banks had been requested to submit any comments on the first two questionnaires not later than Thursday, July 11, since it was understood that Chairman Patman hoped that those questionnaires could be dispatched to the banks selected for the sample by Monday, July 15. The question whether the Board would be adverse to handling the collection and tabulation of the questionnaires had, of course, not yet been resolved.

Following comments by members of the staff on the scope of the proposed questionnaires and problems that might be involved in their completion and tabulation, it was understood that the subject would be considered further following the receipt of comments from the Federal Reserve Banks.

The meeting then adjourned.

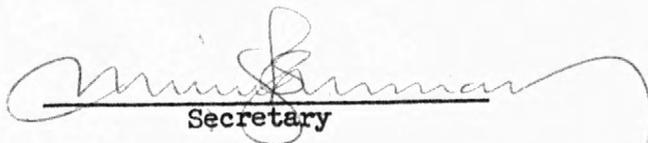
7/8/63

-7-

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 8) approving the appointment of Henry De Vries as assistant examiner.

Memorandum from the Division of Research and Statistics recommending acceptance of the resignation of Ruth H. Clarke, Editorial Clerk in that Division, effective at the close of business July 19, 1963.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
7/8/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 8, 1963

Board of Directors,
New Jersey Bank and Trust Company,
Clifton, New Jersey.

Gentlemen:

Under condition of membership numbered 3, New Jersey Bank and Trust Company was to dispose, within a period of not to exceed three years, of all corporate stocks owned at the time of admission to membership. The Board has subsequently extended this period to June 20, 1963. After considering the circumstances and in accordance with the request in your letter of June 7, 1963, the Board extends until June 20, 1964, the time within which to comply with membership condition numbered 3.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 2
7/8/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 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 information furnished, in your letter of April 29, 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 2,500 shares, par value 10,000 CFA Francs each, of Union Senegalaise de Banque pour le Commerce et l'Industrie ("USBCI"), Dakar, Republic of Senegal, at a cost of 25,000,000 CFA Francs, or approximately US\$105,000 (equivalent), 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 of USBCI, as promptly as practicable, in the event that USBCI 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
7/8/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1963.

Manufacturers Hanover International
Finance Corporation,
44 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of April 29, 1963, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Manufacturers Hanover International Finance Corporation to purchase and hold approximately 1.2 per cent of the capital stock of Malayan Industrial Development Finance Limited, ("MIDFL"), Kuala Lumpur, Federation of Malaya, for Malayan \$300,000, or approximately US\$100,000 (equivalent), provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that your Corporation shall dispose of its holdings of stock of MIDFL, as promptly as practicable, in the event that MIDFL 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) conduct its operations in a manner which, in the judgment of the Board of Governors of the Federal Reserve System, is inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

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. 4
7/8/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1963.



Manufacturers Hanover International
Finance Corporation,
44 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of May 28, 1963, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Manufacturers Hanover International Finance Corporation to purchase and hold 2,000 ordinary shares, par value Baht 1,000 each, of the capital stock of The Industrial Finance Corporation of Thailand ("IFCT"), Bangkok, Thailand, at a cost of approximately US\$100,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that your Corporation shall dispose of its holdings of stock of IFCT, as promptly as practicable, in the event that IFCT 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) conduct its operations in a manner which, in the judgment of the Board of Governors of the Federal Reserve System, is inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

2214

Item No. 5
7/8/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1963

CONFIDENTIAL (FR)

Mr. H. E. Hemmings,
First Vice President,
Federal Reserve Bank
of San Francisco,
San Francisco 20, California.

Dear Mr. Hemmings:

The Board of Governors approves an increase in the minimum of Grade 1 in the Portland Branch employees' salary structure and in Grades 1 and 2 of the Salt Lake City structure, effective September 3, 1963, as requested in your letter of June 21.

Revised ranges for these grades, reflecting revised minimum and previously approved maximum figures, are as follows:

	<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
Portland	1	\$2,640	\$3,540
Salt Lake City	1	\$2,640	\$3,120
	2	2,700	3,420

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 6
7/8/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

July 8, 1963



The Honorable John L. McClellan,
Chairman, Committee on Government
Operations,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of June 18, 1963, requesting the views of the Board on the bill, S. 1680, "To establish an Office of Consumers in order to secure within the Federal Government effective representation of the economic interests of consumers; to act as a central clearinghouse in Government for consumer complaints; to disseminate information to consumers; and for other purposes."

While the Board is sympathetic with efforts to protect the economic interests of consumers, it questions whether the proposed new independent Office of Consumers would be desirable or effective for this purpose. Existing public agencies should be guided in their decisions by due consideration of consumers as well as other interests, all included under the general welfare. To the extent that any serious problems may exist in the consumer field, the Board believes that it would be preferable to consider legislation addressed directly to these specific problems rather than to the creation of a new Government agency whose statutory responsibilities might be difficult to define.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin Jr.

Item No. 7
7/8/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

July 8, 1963.



The Honorable Elmer B. Staats,
Deputy Director,
Bureau of the Budget,
Executive Office of the President,
Washington 25, D. C.

Dear Mr. Staats:

The Board of Governors has reviewed the copy, received from you, of the General Services Administration report recommending further staggering of hours of duty for Federal employees in Washington, and believes that it is an excellent report. However, there is some question on the part of our employees' organization as to the need for the increase in the lunch period to 45 minutes. Should the lunch period at other Government agencies in this area be revised to 45 minutes, the Board would, of course, effect a similar revision. Should this occur, the proposed change in the Board's work hours to 8:30 a.m. - 5:15 p.m. is entirely agreeable.

We appreciate the opportunity to review this report and present our comments.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



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

2217

Item No. 8
7/8/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 8, 1963

CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of July 1, 1963, the Board approves the appointment of Henry De Vries as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

It is noted that Mr. De Vries is indebted to First National City Bank, New York, New York. Accordingly, the Board's approval of the appointment of Mr. De Vries 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) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.