

Minutes for August 9, 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>RM</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, August 9, 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. Mitchell

Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and  
Director, Division of International  
Finance  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Noyes, Director, Division of Research  
and Statistics  
Mr. Brill, Adviser, Division of Research  
and Statistics  
Mr. Solomon, Associate Adviser, Division of  
Research and Statistics  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Katz, Associate Adviser, Division of  
International Finance  
Mr. Mattras, General Assistant, Office of  
the Secretary  
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. Bernard, Economist, Division of Research  
and Statistics  
Mr. Goldstein, Economist, Division of  
International Finance

Money market review. There were distributed a chart and a table relating to public holdings of short-term Treasury debt along with a table summarizing monetary developments during the four-week period ending August 7, 1963.

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Mr. Keir discussed recent developments in the Government securities market, after which Miss Dingle reported on bank reserves, bank credit, and the money supply. Mr. Goldstein then discussed recent foreign exchange market developments.

All members of the staff except Messrs. Kenyon, Young, Cardon, Fauver, Noyes, Brill, Solomon, and Mattras then withdrew and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. O'Connell, Assistant General Counsel  
Mr. Conkling, Assistant Director, Division of Bank Operations  
Mr. Goodman, Assistant Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Thompson, Assistant Director, Division of Examinations  
Mr. Sprecher, Assistant Director, Division of Personnel Administration  
Mr. Young, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, and Dallas on August 8, 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:

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	<u>Item No.</u>
Letter to First National City Bank, New York, New York, noting without objection its intention to establish an additional branch in Buenos Aires, Argentina.	1
Letter to Valley Bank and Trust Company, Springfield, Massachusetts, approving the establishment of a branch at Allen and Cooley Streets.	2
Letter to Chemical Bank New York Trust Company, New York, New York, approving the establishment of a branch at 124 East Park Avenue, Long Beach.	3
Letter to The Union and New Haven Trust Company, New Haven, Connecticut, approving the establishment of a branch in Old Saybrook.	4
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch at Robin Hood and Peace Haven Roads.	5
Letter to The Continental Bank and Trust Company, Salt Lake City, Utah, approving the establishment of a branch in the vicinity of 21st South Street and 21st or 23rd East Streets.	6
Letter to M-V Co., Inc., Marion, Iowa, granting a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.	7
Letter to Mr. J. Russell Klosner, President, The First National Bank of Park Falls, Park Falls, Wisconsin, granting a determination exempting The First National Agency, Inc., Park Falls, Wisconsin, from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.	8

With reference to Item No. 2, Mr. Leavitt pointed out that Valley Bank and Trust Company was being granted a period of two years within which to establish the branch. This was because the branch was to be

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located in a large shopping center. According to the Reserve Bank, funds for construction definitely were available, but it appeared that quarters probably would not be ready for occupancy for approximately two years.

Governor Mills, who had raised a question when the file was in circulation concerning the reason for the two-year period, commented that the situation seemed much the same as when a branch was to be located in a large new office building, erection of which would require a considerable period of time.

With reference to Item No. 6, Governor Mills commented that the quality of assets of Continental Bank and Trust Company seemed somewhat disappointing and deposit trends did not appear very promising. Mr. Leavitt noted, however, that apparently the bank was making a sincere effort to improve its capital position, which was now regarded as fairly satisfactory. It had recently cut back its dividends, with advice to shareholders that this was being done to add more funds to the capital structure. With a few well-placed branches, Mr. Leavitt felt that the bank probably could increase its deposits considerably. With the bank located in an area dominated by holding company systems, it seemed desirable to permit the establishment of such branches as long as the bank was not in unsatisfactory condition.

With reference to Item No. 8, Governor Mills recalled that the Wisconsin Superintendent of Banks, on the occasion of a recent visit to the Board's offices, had expressed concern about a movement under which

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some of the larger banks were financing parties in the acquisition of smaller banks, sometimes on a shoestring basis, with the possibility that the smaller banks would not be properly capitalized and managed.

Messrs. Noyes, Goodman, and Thompson then withdrew from the meeting.

Report on competitive factors (Horton, Kansas). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Home State Bank, Horton, Kansas, by Bank of Horton, Horton, Kansas.

In discussion, Governor Mitchell referred to the second sentence of the conclusion of the report, which stated that since these were two small banks in a small town whose economy had declined significantly over the past three decades, and since there were four other banks within 13 miles of Horton, the over-all effect of the proposed transaction on competition would not be adverse. He questioned whether such a statement could be fully substantiated and suggested alternative language.

Mr. Leavitt commented that the Division of Examinations had proceeded on the reasoning that this was essentially a one-bank town. He recalled that several competitive factor reports had indicated that the over-all effect on competition would not be adverse in cases of this kind where there were reasonably accessible alternative sources of banking services.

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Governor Mitchell responded that he found in current studies evidence that the worst banking monopolies existed in such situations. He would prefer not to go beyond mentioning that there were four other banks within 13 miles of Horton that were moderately competitive.

The report was then approved unanimously for transmission to the Corporation, with the understanding that the conclusion would be revised to read as follows:

The proposed purchase of assets and assumption of liabilities of Home State Bank, Horton, Kansas, by Bank of Horton, Horton, Kansas, would eliminate one of two banks in this community, and therefore, eliminate all competition between the subject institutions. However, there are four other banks within 13 miles of Horton which are moderately competitive.

Window dressing (Item No. 9). There had been distributed a draft of reply to a letter dated July 31, 1963, from Chairman Fascell of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations, who had requested the Board's views regarding a notice sent by the Comptroller of the Currency to all national banks under date of July 3, 1963, particularly the statement therein that "the legislative history of the call report laws clearly indicates a design to employ these reports as a supervisory device and on a surprise basis" but that in practice "this design has not been followed."

In the notice the Comptroller stated that he would have preferred a date other than June 29 for the second call report for 1963. He contended

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that failure to make more calls on a surprise basis had caused the supervisory purpose of call reports to fall into disregard and that this default from sound bank supervision had brought about the widespread practice of window dressing. The practice of end-of-month calls had been defended by some as a means of providing statistical information on a comparable basis for analytical purposes, but the practice of window dressing had impaired the validity of the figures. Lack of strict comparability of data would, in his view, be less serious from a statistical viewpoint than the consequences of window dressing. Thus the procedure of surprise calls would serve supervisory responsibilities more effectively without impairing, and perhaps improving, the statistical worth of the data.

After discussion, the proposed letter was approved unanimously with the understanding that it would be changed in certain respects to reflect changes suggested at this meeting. A copy of the letter, in the form in which it was transmitted to Chairman Fascell, is attached to these minutes as Item No. 9.

Messrs. Farrell, Brill, and Conkling then withdrew from the meeting.

Investment powers of Federal savings and loan associations (Item No. 10). Pursuant to the understanding at yesterday's meeting, there had been distributed a revised draft of letter to the Bureau of the Budget reporting on a draft bill proposed by the Federal Home Loan Bank Board to enlarge the investment powers of Federal savings and loan associations.

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After a general discussion, the letter was approved unanimously with the understanding that the language would be modified at one point along lines suggested at this meeting. A copy of the letter, as transmitted to the Bureau of the Budget, is attached to these minutes as Item No. 10.

Quality Stabilization Act. Reporting on a matter discussed at yesterday's meeting, Mr. Hackley said that the Bureau of the Budget had expressed disappointment in learning that the Board had decided against sending, without a specific request from the Committee, a letter to the Senate Commerce Committee expressing opposition to S. 774, referred to as the "Quality Stabilization Act." The bill would permit manufacturers to establish, maintain, and enforce through the courts resale prices for goods bearing their brand, name, or trademark.

Mr. Hackley said the Budget Bureau had inquired whether the Board might be willing to send a letter or memorandum to the Bureau expressing its views on the bill.

After discussion, Mr. Hackley was authorized to suggest to the Budget Bureau that if the Bureau wanted a formal expression of the Board's views, it should write a letter to the Board making such a request.

All members of the staff except Mr. Sprecher then withdrew from the meeting.

The Secretary's Office subsequently was informed by Governor Shepardson that the following actions were taken by the Board in executive session.

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Granting of requests for annual leave. The Division of Personnel Administration was authorized to distribute to the Board's staff a notice stating that the Civil Service Commission was encouraging Federal agencies to be as liberal as possible in granting requests for annual leave for Wednesday, August 28, 1963, the day of a civil rights demonstration in Washington; that the Board would grant annual leave to any employee requesting it for August 28, with the exception of those who could not be spared because of the essential nature of their work; that if an employee had no annual leave to his credit on that date, he would be advanced one day of annual leave for this purpose; and that in order to facilitate planning to insure that the Board's operations would be carried on with the least interruption, requests for leave were to be submitted by August 22.

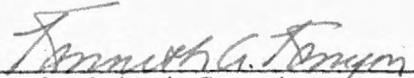
Foreign travel. As recommended in a memorandum dated August 8, 1963, from Mr. Young, Adviser to the Board and Director, Division of International Finance, Robert F. Emery, Economist in the Division of International Finance, was authorized to serve as a U. S. representative to the meeting of the ECAFE Working Party on Economic Development and Planning to be held in Bangkok, Thailand, September 16-23, 1963, with the understanding that his travel would be at Board expense and that his trip would include visits to Japan and some of the other countries assigned to Mr. Emery in his work at the Board, requiring in all a period of three or four weeks, including the time spent in Bangkok.

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The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 11) approving the appointment of Charles F. Clark as assistant examiner.

  
Assistant Secretary

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

Item No. 1  
8/9/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963



First National City Bank,  
399 Park Avenue,  
New York 22, New York.

Gentlemen:

Reference is made to your letter dated July 8, 1963, transmitted through the Federal Reserve Bank of New York, requesting permission of the Board of Governors to establish an additional branch in Buenos Aires, Argentina, to be located in the Liniers Section of Buenos Aires.

Subsequent to the receipt of your application, the Board adopted a revision of Regulation M, effective August 1, 1963, which provides that, if a national bank has established a branch in a foreign country, it may, unless otherwise advised by the Board, establish other branches in that country after thirty days' notice to the Board with respect to each such branch. The Board considers that in this case such notice was received on August 1, 1963, the effective date of the revised Regulation M, and notes without objection the intention of your bank to establish a branch in the Liniers Section of Buenos Aires, Argentina.

Unless the branch is actually established and opened for business on or before August 1, 1964, it will be deemed that plans for its establishment have been abandoned, in which event authority to establish the branch under the notice furnished in your letter of July 8, 1963, will automatically terminate.

Please advise the Board of Governors, in writing, through the Federal Reserve Bank of New York, when the branch is opened for business, furnishing information as to the exact location of the branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

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Item No. 2  
8/9/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963

Board of Directors,  
Valley Bank and Trust Company,  
Springfield, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Valley Bank and Trust Company, Springfield, Massachusetts, of a branch in a proposed shopping center at the southwest corner of Allen and Cooley Streets in Springfield, provided the branch is established within two years 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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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
8/9/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 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 of a branch at 124 East Park Avenue, Long Beach, Nassau County, New York, by Chemical Bank New York Trust Company, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 4  
8/9/63

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 9, 1963

Board of Directors,  
The Union and New Haven Trust Company,  
New Haven, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Union and New Haven Trust Company, New Haven, Connecticut, of a branch in the Old Saybrook Shopping Center at the intersection of Route 1 and Elm Street, Old Saybrook, Connecticut, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

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

Item No. 5  
8/9/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963



Board of Directors,  
Wachovia Bank and Trust Company,  
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company at the intersection of Robin Hood and Peace Haven Roads in Winston-Salem, North Carolina, 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.



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

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Item No. 6  
8/9/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Continental Bank and Trust Company, Salt Lake City, Utah, in the vicinity of 21st South Street and 21st or 23rd East Streets, Salt Lake City, Utah, 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.

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

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Item No. 7  
8/9/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963.

Mr. John G. Vernon,  
Vice President and Secretary,  
M-V Co., Inc.,  
1090 7th Avenue  
Marion, Iowa.

Dear Mr. Vernon:

This refers to the request contained in a letter dated July 2, 1963, submitted to the Federal Reserve Bank of Chicago, for a determination by the Board of Governors of the Federal Reserve System as to the status of M-V Co., Inc. ("M-V"), as a holding company affiliate.

From the information presented, the Board understands that M-V is primarily an insurance agency; that it is a holding company affiliate by reason of the fact that it owns 1,004 of the 2,000 outstanding shares of stock of The First National Bank of Marion, Iowa; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts the Board has determined that M-V is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that M-V might be deemed to be so engaged, this matter should again be submitted

Mr. John G. Vernon

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to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts. Particularly, should future activities of or acquisitions by M-V, particularly in bank stocks, even though not constituting control, result in its attaining a position whereby the Board may deem desirable a determination that M-V is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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Item No. 8  
8/9/63

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963.

Mr. J. Russel Klosner, President,  
The First National Bank of  
Park Falls,  
Park Falls, Wisconsin.

Dear Mr. Klosner:

This refers to the request contained in a letter dated July 1, 1963, submitted to the Federal Reserve Bank of Minneapolis, for a determination by the Board of Governors of the Federal Reserve System as to the status of The First National Agency, Inc. ("Agency"), Park Falls, Wisconsin, as a holding company affiliate.

From the information presented, the Board understands that Agency is engaged in the insurance sales business; that it is a holding company affiliate by reason of the fact that it owns 548 of the 1,000 outstanding shares of stock of The First National Bank of Park Falls, Wisconsin; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts the Board has determined that Agency is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that Agency might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this

Mr. J. Russel Klosner

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determination and make further determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of Agency result in its attaining a position whereby the Board may deem desirable a determination that it is engaged as a business in the holding of bank stock or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 9  
8/9/63

OFFICE OF THE CHAIRMAN

August 9, 1963



The Honorable Dante B. Fascell, Chairman,  
Legal and Monetary Affairs Subcommittee of  
the Committee on Government Operations,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of July 31, requesting the Board's comments on a notice to national banks, transmitted by the Comptroller of the Currency under date of July 3, 1963.

The problem of "window dressing," referred to by the Comptroller in his notice, is an important one, but it should be viewed in proper perspective. With the other information available to them, there is no danger that the supervisory authorities themselves are likely to be misled by "window dressing." Furthermore, it should be recognized that the "window dressing" practice is, in fact, limited to a relatively small number of comparatively large banks, and to certain specific asset and liability items on their balance sheets. As a practical matter it is concentrated in interbank balances, corporate deposits and loans to large corporate customers. Thus, "window dressing" has practically no effect on such economically significant figures as consumer, mortgage and agricultural loans by banks, or many other loan and deposit classifications.

Nevertheless, we would agree with the Comptroller that "window dressing" should be discouraged, since it may mislead the public as to the size and liquidity position of individual banks. The more frequent use of "surprise" call dates might help in this respect, but there is at least some question as to their effectiveness, especially in the light of our experience with the "surprise" call in December 1962. The Advisory Committee to the Comptroller in its report of September 17, 1962, recommended that "the call report be revised to require reporting or publication of daily averages for each calendar quarter," adding that "under this procedure the practice of calling on odd dates would no longer be necessary since any efforts at 'window dressing' would be ineffective in the average figures." This alternative might well be a more effective way of dealing with the problem than "surprise" calls.

The Honorable Dante B. Fascell -2-

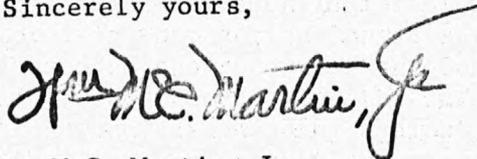
The legislative history contemplates that the call reports be used for supervisory purposes and that the use of "surprise" dates was clearly envisaged. In fact, more than half of the four calls each year since 1949 have been on "surprise" dates. At the same time there is no evidence to suggest that call reports should not also be used to obtain information needed as a basis for Governmental policy decisions.

Most of the statistical information on banking operations is presently obtained from representative samples of banks who report voluntarily, and we are making a continuing effort to obtain as much information in this way as possible. To assure the accuracy of this information, however, and to be able to produce geographical breakdowns for major cities, States and regions, it is necessary that we obtain, from time to time, reports from all banks in the United States on dates that are compatible with other statistical series. This is presently done through the call report, with a considerable saving to both the banks and the Government over the alternative of separate censuses of banks.

Recent studies by the Federal Reserve System indicate that it would be possible to reduce considerably the detail presently required in two, or perhaps three, of the calls each year. Furthermore, it would not seriously impair the accuracy of the data needed for policy-making purposes in and outside Government if three of the call reports each year were on "surprise" rather than end-of-month dates. Thus, in our judgment, considerable progress is possible toward improving the usefulness of the call report for supervisory purposes, without impairing its major contributions to the statistics needed for policy formulation and with a reduction in the reporting burden on commercial banks.

The Federal Reserve System hopes that it will have the cooperation of the Comptroller of the Currency and the FDIC in moving forward with a program to these ends.

Sincerely yours,



Wm. McC. Martin, Jr.

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 1963.

Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Hughes:

This is in response to your communication of July 19, 1963, requesting the views of the Board on a draft bill, proposed by the Federal Home Loan Bank Board, "To amend section 5 of the Home Owners' Loan Act of 1933, as amended", so as to broaden the present investment authority of Federal savings and loan associations. Under existing law, these associations may make loans on the security of real estate and invest, without limit, in obligations of the United States, stocks and bonds of Federal Home Loan Banks, and obligations of the Federal National Mortgage Association.

The proposed legislation would extend the present investment authority to include, without limit, obligations of all agencies of the United States and of the States and local governmental entities. This latter group would include special obligations as might be defined by the Federal Home Loan Bank Board. The broadened authority requested would also include loans for the acquisition of major household durable goods, for the payment of expenses of college or university education, and for the financing of mobile dwellings.

Without attempting to comment on the provisions of the draft bill at this time, the Board believes that such legislation should not be considered until it is determined what action Congress takes on H.R. 7404. The latter bill, based on the report of the Committee on Financial Institutions, provides for strengthening the safety and liquidity of insured institutions and safeguarding against conflicts of interest, while also raising the limit on deposit and share insurance.

Any broadening of loan and investment powers of savings and loan associations, just as an increase in the insurance limit, would place an additional burden on the supervisory authority. It is important,

Mr. Phillip S. Hughes

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therefore, first to strengthen the hand of the Federal Home Loan Bank Board by appropriate legislation before considering any additional investment powers for these institutions.

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. 11  
8/9/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 9, 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 Mr. Bilby's letter of August 2, 1963, the Board approves the appointment of Charles F. Clark 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. Clark is indebted to First Trust & Deposit Company, Syracuse, New York, a State member bank. Accordingly, the Board's approval of Mr. Clark's appointment 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.