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Minutes for August 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 Wednesday, August 21, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
 Mr. Balderston, Vice Chairman 1/
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson
 Mr. Mitchell

Mr. Kenyon, Assistant Secretary
 Mr. Fauver, Assistant to the Board
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Shay, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Mattras, General Assistant, Office of the Secretary
 Mr. Young, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on August 19, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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

1/ Entered meeting at point indicated in minutes.

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	<u>Item No.</u>
Letter to Chase Manhattan Overseas Banking Corporation, New York, New York, granting consent to a change in the location of the Brasilia Branch of Banco Lar Brasileiro, S. A., Rio de Janeiro, Brazil.	1
Letter to Lafayette Trust Company, Easton, Pennsylvania, approving (1) the establishment of a branch on William Penn Highway, Palmer Township, and (2) an investment in bank premises.	2
Letter to Northeastern Banking Company, Commerce, Georgia, approving the establishment of a branch at 17 Little Street.	3
Letter to Trust Company of Georgia, Atlanta, Georgia, approving the establishment of a branch on Edgewood Avenue between Ivy and Courtland Streets.	4
Letter to the Federal Reserve Bank of Atlanta regarding the head office building program.	5

Governor Balderston joined the meeting at this point and Mr. Goodman withdrew from the room.

Report on competitive factors (Norfolk-Suffolk, Virginia).

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 Farmers Bank of Nansemond, Suffolk, Virginia, into The Seaboard Citizens National Bank of Norfolk, Norfolk, Virginia.

Mr. Leavitt noted that since the proposed report was prepared, the Comptroller of the Currency had approved a merger of the National Bank of Suffolk into the Virginia National Bank of Norfolk. This would necessitate a revision of that part of the report in which the merger was

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referred to as awaiting approval. He also noted that upon the consummation of such merger and the merger currently under consideration the city of Suffolk would have offices of two large banks along with one independent bank of relatively small size.

Governor Shepardson observed that the conclusion of the report, as drafted, would state that consummation of the two proposed mergers by which relatively large banks would expand into Suffolk would alter the banking structure in Suffolk and represent a potential threat to the ability of the remaining local bank to offer effective competition and maintain an independent status. He had understood it to be felt generally that in a market area of any size there might well be a place both for larger banks, which would handle the credit needs of larger customers, and for smaller neighborhood-type banks. This point of view had been suggested by the Board in certain previous cases. He inquired whether it was not the view that under such circumstances a smaller independent bank could exist and prosper.

In discussion of this point, Mr. Leavitt expressed the opinion that normally a small local bank could continue to exist in such circumstances if it desired to stay in business and meet the increased competition. He pointed out, on the other hand, that the application in the current case had stated that if the then proposed merger of National Bank of Suffolk into Virginia National Bank was consummated, the merger contemplated by the current application would become a matter of sheer necessity; that neither of the banks participating in the current application could

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otherwise continue to compete effectively for important business in the Suffolk area. Should both mergers be consummated, Mr. Leavitt thought it was probably true that the sole remaining local bank would find it even more difficult to continue to operate effectively for important business in the Suffolk area. This was reflected to a certain extent in comments by the bank's president, as set forth in the draft report. Mr. Shay pointed out that increased competition always posed a "potential threat" to the ability of a local bank to operate effectively.

On the basis of this discussion, Governor Mills proposed that the conclusion of the competitive factor report be shortened by omitting the reference to the ability of the remaining local bank in Suffolk to maintain an independent status.

Question then was raised whether the Board would want to add to the conclusion of the report a sentence expressing the view that on balance the effect of the proposed merger on competition would appear to be slightly adverse.

Governors Shepardson and Mitchell indicated that they would regard the inclusion of such a sentence as acceptable. Governor Robertson, however, expressed a preference for leaving the conclusion as it had originally been drafted. He regarded that language as covering the essential issue involved in an appropriate way. He doubted whether it would be feasible to try to categorize conclusions in terms of the effect on competition being, for example, slightly or moderately adverse. Governor

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Mills indicated that his preference would be against including the proposed additional sentence; he would prefer to state the conclusion in the manner that he had previously suggested. Governor Balderston suggested that the Board's discussions of competitive factor reports would tend to become still more extended if it became necessary to attempt to arrive at labels such as slightly, moderately, or substantially adverse. He favored phrasing this report in the manner suggested by Governor Mills. Governor Robertson then stated that although he would have preferred the conclusion as originally drafted, the difference between that and the modification proposed by Governor Mills was not sufficient to cause him to vote against sending the report in such form.

The report was then approved for transmission to the Comptroller with the understanding that the conclusion would read as follows:

There is virtually no direct competition between The Seaboard Citizens National Bank of Norfolk and The Farmers Bank of Nansemond. However, Citizens National originates a small amount of deposit business and extends lines of credit to a few large businesses in Suffolk.

Consummation of the proposed mergers by which relatively large banks would expand into Suffolk would alter the banking structure in Suffolk and represent a potential threat to the ability of the remaining local bank to offer effective competition in the community.

Circulated items. The following additional 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 Chairman Dawson of the House Committee on Government Operations reporting on H. R. 7879, a bill to establish a Department of Consumers.	6
Letter to the Federal Reserve Bank of Boston approving a revision of the employees' salary structure.	7

Chairman Martin joined the meeting at this point, and Messrs. Farrell, Johnson, Daniels, and Young withdrew from the room.

Retirement System of the Federal Reserve Banks. At the meeting on June 27, 1963, it was agreed that Mr. George B. Buck, Actuary of the Retirement System of the Federal Reserve Banks, should be informed that the Board would like to have him meet with the Board at a mutually convenient time to discuss certain studies that Professor Dan M. McGill had made in connection with the Retirement System. Professor McGill, of the Wharton School of Finance and Commerce, University of Pennsylvania, had been engaged by the Board as a Special Consultant in connection with this study of the Retirement System, and it had been contemplated that he would participate in the meeting with the Board.

It was now reported that Professor McGill apparently would be available on September 23, 24, or 25 for such a meeting, but that Mr. Buck would not be free to attend on September 23.

Governor Mitchell stated that according to his schedule there was a possibility he could attend a meeting held on September 24; he would not be available on September 25.

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It was then agreed that the meeting with Dr. McGill and Mr. Buck should be arranged for September 24, 1963, if convenient to them. It was also understood that if Governor Mitchell was not able to attend he would consider submitting questions that could be asked on his behalf.

Fund and Bank meetings. There was a brief general discussion of the schedule for the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development, to be held in Washington from September 30 through October 4, 1963, including the extent of Federal Reserve participation. It was noted that luncheons were to be given at the Federal Reserve Building on October 1 and 3 for foreign central bankers attending the meetings and that the Reserve Bank Presidents, who would be in Washington on October 1 for a meeting of the Federal Open Market Committee, would participate in the luncheon on that date. During the discussion, question was raised whether the members of the Board should not receive invitations to attend the business sessions of the annual meetings, and Chairman Martin explained some of the difficulties involved in expanding the list of those receiving such invitations.

All members of the staff then withdrew and the Board went into executive session.

The Secretary's Office was informed later by Governor Shepardson that during the executive session the following actions were taken:

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Proposed annex building. As an outgrowth of earlier discussion about the possibility of underground extension of garage space in connection with the proposed annex to the Federal Reserve Building, which would be located on the Board's property across "C" Street, Governor Shepardson had distributed to the other members of the Board a memorandum dated August 20, 1963, recommending for reasons stated that the architect be instructed to abandon any plan for use of land north of the Board's present property line and that the architect proceed with feasibility studies of lateral underground extensions to the curb lines on 20th and 21st Streets and/or the use of one or more above-ground floors for needed garage space.

Governor Shepardson's recommendation was approved.

Proposed overseas study program. An overseas study program that had been proposed for a member of the Board's staff during a nine-month period from October 1963 through June 1964 was not approved by the Board, on the basis that it did not come within the scope of Board policy relating to foreign study and travel assignments.

The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum from the Division of Examinations, Governor Shepardson approved on behalf of the Board on August 20, 1963, acceptance of the resignation of Donald O. Starr, Assistant Federal Reserve Examiner in that Division, effective September 1, 1963.

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:

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Appointment

Fayette Didjunas as Clerk-Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$4,030, effective the date of entrance upon duty.

Acceptance of resignation

William Lane Porter, Jr., Law Clerk (Summer), Legal Division, effective August 23, 1963.


Assistant Secretary

Item No. 1
8/21/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1963

Mr. Charles Cain, Jr., President,
Chase Manhattan Overseas Banking Corporation,
1 Chase Manhattan Plaza,
New York 5, New York.

Dear Mr. Cain:

This will acknowledge your letter of August 16, 1963, relating to a proposed change in location of the Brasilia Branch of Banco Lar Brasileiro, S.A. ("Banco Lar"), Rio de Janeiro, Brazil, from present quarters at Super-Quadra 108-Sul, Setor Comercial Local, Lojas 25 and 26 to Conjunto Comercial do Hotel Nacional-Loja 43, in the Hotel Nacional, Brasilia, Brazil.

In accordance with the request and on the basis of the information furnished, the Board grants consent to the change in location as requested. Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the Branch is removed to the new location.

In the event of any further change in location within the City of Brasilia, please notify the Board of Governors of the new address.

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
8/21/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1963

Board of Directors,
Lafayette Trust Company,
Easton, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Lafayette Trust Company on the north side of William Penn Highway between Beech and Arlington Streets, Palmer Township, Northampton County, Pennsylvania, provided the branch is established within one year from the date of this letter. The Board also approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of \$125,000 in bank premises by Lafayette Trust Company to purchase land and to construct quarters for the new branch.

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
8/21/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1963

Board of Directors,
Northeastern Banking Company,
Commerce, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Northeastern Banking Company, Commerce, Georgia, of a branch (drive-in facility) at 17 Little Street, Commerce, Georgia, 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. 4
8/21/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1963

Board of Directors,
Trust Company of Georgia,
Atlanta, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Trust Company of Georgia, Atlanta, Georgia, of a branch in the proposed Hartford Insurance Company Building on Edgewood Avenue between Ivy and Courtland Streets, Atlanta, Georgia, provided the branch is established with 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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Item No. 5
8/21/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1963

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia 30303.

Dear Mr. Bryan:

This refers to Mr. Patterson's letter of June 27, 1963, transmitting detailed plans and specifications and revised cost estimates for the West Addition to the Atlanta Head Office building now under construction.

The Board notes that the cost is estimated at \$4,542,886, as compared with the preliminary estimate of \$4,344,000, and that the revised estimate includes approximately \$196,000 for work in the East Building which was not included in the preliminary estimate.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



Item No. 6
8/21/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

August 22, 1963

The Honorable William L. Dawson,
Chairman, Committee on Government
Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of August 5, 1963, requesting the views of the Board on the bill, H.R. 7879, "To establish a Department of Consumers in order to secure within the Federal Government effective representation of the economic interests of consumers; to coordinate the administration of consumer services by transferring to such Department certain functions of the Department of Health, Education, and Welfare, the Department of Labor, and other agencies; and for other purposes."

While the Board is sympathetic with efforts to protect the economic interests of consumers, it questions whether the proposed separate executive department of Government 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
8/21/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 21, 1963

CONFIDENTIAL (FR)

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Ellis:

As requested in your letter of August 6, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure at the Federal Reserve Bank of Boston, effective August 6, 1963.

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 2,600	\$ 3,080
2	2,600	3,400
3	2,770	3,740
4	3,080	4,160
5	3,410	4,600
6	3,780	5,100
7	4,200	5,670
8	4,660	6,290
9	5,190	7,010
10	5,830	7,870
11	6,530	8,820
12	7,290	9,840
13	8,140	10,990
14	9,120	12,310
15	10,340	13,960
16	11,600	15,660

The Board approves the payment of salaries to the employees within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimums of their grades will be brought within the appropriate ranges not later than November 1, 1963.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.