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Minutes for September 16, 1963

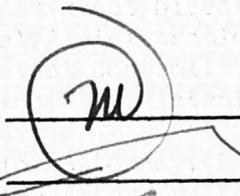
To: Members of the Board
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

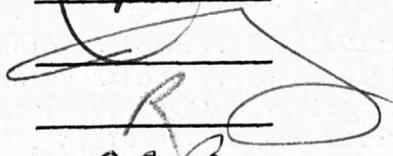
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

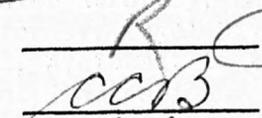


Gov. Mills

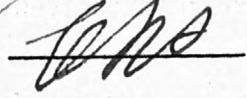


Gov. Robertson

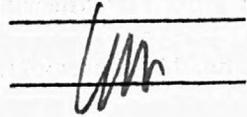
Gov. Balderston



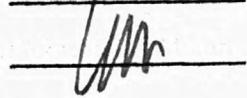
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Monday, September 16, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Robertson
 Mr. Mitchell

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Miss Carmichael, 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. Hackley, General Counsel
 Mr. Solomon, Director, Division of
 Examinations
 Mr. Connell, Controller
 Mr. Shay, Assistant General Counsel
 Mr. Furth, Adviser, Division of
 International Finance
 Mr. Kiley, Assistant Director, Division
 of Bank Operations
 Mr. Leavitt, Assistant Director, Division
 of Examinations
 Mr. Thompson, Assistant Director, Division
 of Examinations
 Mr. Sprecher, Assistant Director, Division
 of Personnel Administration
 Mr. Bass, Assistant Controller
 Mr. Spencer, General Assistant, Office of
 the Secretary
 Mr. Bakke, Senior Attorney, Legal Division
 Mr. Young, Senior Attorney, Legal Division
 Mr. Doyle, Attorney, Legal Division
 Mr. McClelland, Assistant to the Director,
 Division of Examinations
 Mr. Rumbarger, Review Examiner, Division of
 Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago,

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St. Louis, Kansas City, Minneapolis, and Dallas on September 12, 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.

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>
Telegram to the Federal Reserve Agent at Richmond authorizing the issuance to The First Virginia Corporation, Arlington, Virginia, of a general voting permit covering its stock in Peoples' Bank, Mount Jackson, Virginia; Shenandoah County Bank and Trust Company, Woodstock, Virginia; and Richmond National Bank and Trust Company, Richmond, Virginia.	1
Letter to the Federal Reserve Bank of New York removing the caveat appended to the Board's 1954 ruling on the inapplicability of the prohibition in section 32 of the Banking Act of 1933 to certain directors of Investors Management Company, Inc., Elizabeth, New Jersey.	2
Memorandum dated September 13, 1963, from Mr. Young, Adviser to the Board and Director, Division of International Finance, recommending that the Bureau of the Budget be advised by telephone that the Board would have no objection to a Treasury draft bill to amend the International Development Association Act to authorize the United States to participate in an increase in the resources of the International Development Association.	3

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Item No.

Telegram to the Presidents of all Federal Reserve Banks concurring in the actions of the Conference of Presidents on September 9, 1963, approving (1) payment of transportation costs on coin shipments to the Reserve Banks from nonmember banks located outside Federal Reserve Bank and Branch cities for the month of October 1963, and (2) acceptance of deposits of wrapped coin from member banks located outside such cities for the period October 1 to December 31, 1963. 1/

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Report on competitive factors (Twin Falls-Hazelton, Idaho).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposal of Fidelity National Bank of Twin Falls, Twin Falls, Idaho, to acquire the assets and assume liability to pay deposits made in Hazelton State Bank, Hazelton, Idaho. The conclusion in the report read as follows:

It does not appear that a significant amount of competition exists between Fidelity National Bank of Twin Falls and Hazelton State Bank. The proposed acquisition would not have adverse competitive effects on other banks operating in the service area of the resulting institution.

The report was approved unanimously for transmittal to the Comptroller.

1/ The terms of the telegram, as attached, were modified by action of the available members of the Board during the afternoon of September 20, 1963. According to the modification, deposits of wrapped coin would be accepted by the Reserve Banks from October 1 to December 31, 1963, from all member banks rather than only from member banks located outside Federal Reserve Bank and Branch cities.

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Report to House Subcommittee on Legal and Monetary Affairs

(Item No. 5). There had been distributed under date of September 9, 1963, a draft of letter to Chairman Dante B. Fascell of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations enclosing a paper prepared by the Board's staff on bank supervision and examination in relation to the prevention, detection, and prosecution of crimes against State member banks. This paper had been prepared in response to Chairman Fascell's letter of July 12, 1963, raising various questions with regard to measures taken by the Federal supervisory agencies to cope with the problem of crimes against banks and savings and loan institutions under their respective jurisdictions.

In discussion, Governor Robertson noted that it was anticipated that the Subcommittee would hold hearings. In this connection, he felt that guidance should be given on a question that might arise as to whether the Board would favor legislation giving Federal supervisory agencies authority to require independent audits at their discretion. In his opinion, the Board should take a position in favor of such legislation, which would have the effect of encouraging the development of adequate internal audit systems.

Following Governor Robertson's remarks, it was indicated that a view favorable to such legislation should be expressed on behalf of the Board if the question should be raised at the hearings.

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At the conclusion of further discussion, it was understood that Governor Robertson would represent the Board at the hearings if it developed that an appearance by a member of the Board was desired, and that otherwise Mr. Solomon, Director, Division of Examinations, would represent the Board, with the understanding that he could arrange for such additional Federal Reserve staff representation as seemed appropriate.

The paper prepared for the House Subcommittee on Legal and Monetary Affairs was then approved unanimously for transmittal to Chairman Fascell; a copy has been placed in the Board's files.

Secretary's Note: On the basis of advice received subsequently from the Subcommittee, it appeared that the Board should be represented by a Board member, along with appropriate staff, at the forthcoming hearings. A copy of the letter sent to Chairman Fascell in the light of that advice is attached as Item No. 5.

Mr. Molony, Assistant to the Board, entered the room at this point.

Report to House Subcommittee on Foreign Operations and Government Information (Item No. 6). There had been distributed under date of September 11, 1963, a draft of reply to a questionnaire from Chairman John E. Moss of the Foreign Operations and Government Information Subcommittee of the House Committee on Government Operations regarding a study being made by the Subcommittee with respect to the policies and practices of Federal agencies in gathering and disseminating information to the public and the Congress.

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Discussion of the draft of reply related principally to the request for an estimate of total man-hours spent and expenses incurred in replying to inquiries from the Congress, the press, and the public. It was recognized that such estimates as might be given would necessarily have to be rough. However, it was understood that the staff would prepare, as accurately as possible, estimates such as the Subcommittee had requested for inclusion in the reply to Chairman Moss.

Discussion then turned to a question by the Subcommittee regarding the terms used to designate information not available to the public. It was brought out in the reply that, in addition to "Confidential F. R.", terms such as "for internal use only" and "not for publication" sometimes were used to indicate that a document was not intended for distribution to the public.

Mr. Sherman explained that, as indicated in the reply and an attachment, the term "Confidential F. R." had originated in 1953, since the Federal Reserve was no longer authorized to classify security material, for use on various material and documents to distinguish them from classified information and to identify them as Federal Reserve information. This term was used on many documents having confidential aspects and not intended to be released publicly. In addition, as the reply to Chairman Moss indicated, certain other terms such as "not for publication" and "for internal use only" were used occasionally. These terms were used to designate material that was not edited with a view to publication but as to which

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there would be no particular objection to its public use. Reference to this fact had been included in the reply to give the Subcommittee an appropriate explanation if some documents were found that were labeled as "not for publication." Mr. Sherman expressed the view that the use of such terms, in appropriate circumstances, was reasonable and justified. Mr. Sprecher concurred generally in Mr. Sherman's comments, although he indicated that there was some feeling on the part of members of the Board's staff having responsibilities in connection with the handling of security information that use of the term "Confidential F. R. " was preferable to the use of other terms. Members of the Board expressed the view that it would be desirable for the reply to Chairman Moss to be amplified along the lines of the explanation Mr. Sherman had given, and it was understood that this would be done.

At the conclusion of the discussion, the reply to the questionnaire from the House Subcommittee on Foreign Operations and Government Information was approved unanimously for transmittal to Chairman Moss subject to changes in certain respects in light of the suggestions agreed upon at this meeting. A copy of the letter transmitting the reply to Chairman Moss is attached as Item No. 6; a copy of the reply to the questionnaire, as transmitted with the letter, has been placed in the Board's files.

Amendment to fiscal agency agreement (Item No. 7). The action of the available members of the Board on September 13, 1963, in authorizing the sending to the Federal Reserve Bank of New York of a

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letter approving a proposed amendment to the fiscal agency agreement between the Bank and the International Bank for Reconstruction and Development to cover a proposed issue of the latter's two-year bonds of 1963 was ratified by unanimous vote. A copy of the letter is attached as Item No. 7.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, approved on behalf of the Board on September 13, 1963, the following actions relating to the Board's staff:

Salary increases, effective September 15, 1963

Susan R. Clark, Statistical Clerk, Division of Bank Operations, from \$4,390 to \$4,530 per annum.

Paul L. Tedrow, Operating Engineer, Division of Administrative Services, from \$5,429 to \$5,699 per annum.

Reemployment following maternity leave

Jo Ann Cannada as Clerk-Stenographer, Division of Administrative Services, with basic annual salary at the rate of \$4,110, effective September 16, 1963.

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

Letter to the Federal Reserve Bank of Dallas (attached Item No. 8) approving the designation of Darrell W. Marker and Carroll D. Blake as special assistant examiners.

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

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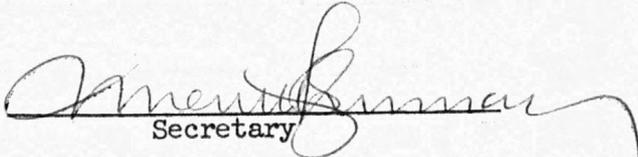
Transfer

Rosemary V. Jordan, from the position of Clerk-Stenographer in the Division of Bank Operations to the position of Special Assistant Federal Reserve Examiner in the Division of Examinations, with no change in basic annual salary at the rate of \$4,390, effective the date she assumes her new duties.

Acceptance of resignations

Judith A. Ziobro, Statistical Assistant, Division of Research and Statistics, effective at the close of business September 20, 1963.

Barbara Lou Jones, Special Assistant Federal Reserve Examiner, Division of Examinations, effective at the close of business September 20, 1963.


Secretary

TELEGRAM
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

September 16, 1963

HYDE -- RICHMOND

KEBJE

- A. The First Virginia Corporation, Arlington, Virginia.
- B. Shenandoah County Bank and Trust Company, Woodstock, Virginia.
Richmond National Bank and Trust Company, Richmond, Virginia.
Peoples' Bank, Mount Jackson, Virginia.
- C. Prior to issuance of permit authorized herein, Applicant shall execute and deliver to you, in duplicate, an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

(Signed) Elizabeth L. Carmichael

CARMICHAEL

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

Item No. 2
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 16, 1963.



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

Dear Mr. Crosse:

On August 28, 1963, you wrote to the Board transmitting correspondence from counsel for Investors Management Company, Inc. ("Investors"), Elizabeth, New Jersey, proposing termination of the caveat appended to the Board's 1954 ruling on the inapplicability of the prohibition in section 32 of the Banking Act of 1933 to certain of Investors' directors; namely, the requirement that your Bank keep the factual situation of the relationship between Investors and its parent company under review and report changes to the Board.

This proposal is occasioned by a recent corporate reorganization which removed the underwriting function from the ambit of Investors' parent company's operations and placed it in another wholly-owned subsidiary of the parent company. In addition, it is reported that the long-term commitment by shareholders of Investors' parent regarding election of the one remaining director who was the subject of the Board's 1954 ruling has been renewed. You state that you concur in the proposal in question, but before so advising Investors, the views of the Board are desired.

The Board has carefully considered this matter, including the rationale underlying its 1954 decision. While of the opinion that the surveillance provided for in connection with that decision was necessary and proper under the facts of the case as they existed at the time, the Board is further of the opinion that the circumstances are now such that these precautions are no longer necessary.

Accordingly, the Board concurs that Investors' proposal to dispense with the periodic reviews heretofore conducted is reasonable under the circumstances.

In communicating this to Investors, however, the Board requests that your Bank emphasize that the Board's action is based

Mr. Howard D. Crosse

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on its consideration of the facts of the corporate relationship between Investors and Anchor Company and Hugh W. Long and Company, Inc. as they exist at this time, and that by removing the caveat from the previous determination the Board does not intend to suggest that facts might not develop in the future which would warrant re-examination of the matter and lead the Board to the conclusion that section 32 had become applicable to one or more of Investors' directors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

9/16/63

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

September 13, 1963.

TO: Board of Governors
FROM: Ralph A. Young
SUBJECT: Draft bill to increase the resources of the International Development Association

The Bureau of the Budget has requested the views of the Board of Governors on a Treasury draft bill "To amend the International Development Association Act to authorize the U. S. to participate in an increase in the resources of the IDA."

This bill would authorize the U. S. Governor of the IDA to vote for a \$750 million increase in the Association's resources and would authorize the appropriation of \$312 million to pay the U. S. share of this increase. The funds would be paid to the IDA in three equal annual instalments, beginning in fiscal year 1966. The U. S. share of the new subscriptions would be 41.6 per cent of the total, a slight decrease from the 43 per cent share of the original subscriptions. The National Advisory Council has recommended approval of both the increases in the capital of the IDA and in the U. S. subscription.

The IDA operates as the "soft loan window" of the International Bank for Reconstruction and Development. It normally makes loans repayable in 50 years, including a 10 year grace period, which bear interest at the rate of $3/4$ of 1 per cent per annum; these terms are justified on the ground that many of the less developed countries have incurred such heavy debt service burdens that they cannot afford to contract new foreign debt on conventional terms. The initial hard currency subscriptions of IDA will soon be fully committed; to date, about two-thirds of its total loan commitments have been made to India and Pakistan. A replenishment of its loanable funds is needed if it is to continue operations.

The U. S. Government has taken the lead in pressing for the increase in the resources of the IDA. Since other countries would be putting up nearly 60 per cent of the new subscription, the burdens that IDA assistance would put on the U. S. budget and payments balance would be smaller than in the absence of this plan for mobilizing aid contributions from other countries.

The Bureau of the Budget has asked for comments by telephone. I recommend, therefore, that the Bureau be informed by telephone that the Board has no objections to the proposed bill.

T E L E G R A M
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

September 16, 1963.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

The Board concurs in actions of Conference of Presidents on September 9, 1963 approving (1) payment of transportation costs on coin shipments to the Reserve Banks from nonmember banks located outside Federal Reserve Bank and Branch cities for the month of October 1963, and (2) acceptance of deposits of wrapped coin from member banks located outside such cities for the period October 1 to December 31, 1963. Board understands that these steps are experimental and temporary in nature, but it agrees that the System should take any reasonable action that might cause excess supplies of coin to be returned to the Reserve Banks for further circulation. It also understands that the intent of the Conference was for each Reserve Bank to circularize the banks in its district before October 1, 1963, as to these actions.

(Signed) Merritt Sherman

Sherman

Note: The terms of this telegram were modified by action of the available members of the Board during the afternoon of September 20, 1963. According to the modification, deposits of wrapped coin would be accepted by the Reserve Banks from October 1 to December 31, 1963, from all member banks rather than only from member banks located outside Federal Reserve Bank and Branch cities.

Item No. 5
9/16/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

September 17, 1963



Honorable Dante B. Fascell, Chairman,
Legal and Monetary Affairs Subcommittee
of the Committee on Government Operations,
House of Representatives,
Washington, D. C. 20515

Dear Mr. Chairman:

In response to your letter of July 12, 1963, there is enclosed a paper which we have entitled "Bank Supervision and Examination in Relation to the Prevention, Detection, and Prosecution of Crimes Against State Member Banks". In this paper the bank supervisory and examination function as it relates to bank physical facilities, personnel, precautionary measures, security devices, and the apprehension and conviction of criminals is discussed, and the Board's views and suggestions with respect to the major areas of inquiry are given. Portions of the Board's letter of May 3, 1963, have been incorporated in the paper in order to provide a unified presentation of the subject matter.

Governor J. L. Robertson and Mr. Frederic Solomon, Director, Division of Examinations, will represent the Board at any hearings you may hold. They will be glad to participate in discussion of the various questions included in the attachment to your letter.

As requested in your letter, there is also enclosed a Summary of Bank Shortages in State Member Banks reported to the United States Attorney during the first six months of 1963. It has been marked "Schedule E" for attachment to the lettered schedules previously furnished your Subcommittee.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
9/16/63

OFFICE OF THE CHAIRMAN

September 17, 1963.

The Honorable John E. Moss,
Chairman,
Foreign Operations and Government
Information Subcommittee,
Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of August 8, 1963, regarding the study being made by the Foreign Operations and Government Information Subcommittee of the House Committee on Government Operations with respect to the policies and practices used by Federal agencies in gathering and disseminating information to the public and the Congress.

The Board's replies to the four parts of the questionnaire furnished with your letter are enclosed.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures

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Item No. 7
9/16/63

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 13, 1963.

Mr. F. T. Davis,
Assistant Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Davis:

This refers to your letter of September 11, 1963, and enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of \$100 million aggregate principal amount of its Two Year Bonds of 1963, due September 15, 1965. In that letter you state that it is proposed to amend Schedule A of the Fiscal Agency Agreement, dated as of February 6, 1950, between the International Bank and your Bank to include the bonds in question.

The Board of Governors approves of your Bank acting as Fiscal Agent in respect of the proposed issue by the International Bank of its Two Year Bonds of 1963, due September 15, 1965, and approves the execution and delivery by your Bank of an Agreement with the International Bank in the form or substantially in the form of the draft of Supplement No. 23 to the Fiscal Agency Agreement, dated as of February 6, 1950, between your Bank and the International Bank, enclosed with your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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Item No. 8
9/16/63

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 16, 1963

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

Dear Mr. Sullivan:

In accordance with the request contained in your letter of September 9, 1963, the Board approves the designation of Darrell W. Marker and Carroll D. Blake as special assistant examiners for the Federal Reserve Bank of Dallas for the purpose of participating in examinations of State member banks.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.